

Attachment 2

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 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 "LEGAL MATTERS - Tax Exemption."

\$13,440,000*
COMMUNITY FACILITIES DISTRICT NO. 2002-A
(BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS
2013 SPECIAL TAX REFUNDING BONDS

Dated: Date of Delivery

Due: September 1, as shown on inside cover.

Authority for Issuance. The bonds captioned above (the "Bonds") are being issued by the City of Beverly Hills (the "City") under the Mello-Roos Community Facilities Act of 1982 (the "Act"), the Resolution of Issuance (as defined in this Official Statement), and a Fiscal Agent Agreement, dated as of February 1, 2013, (the "Fiscal Agent Agreement"), by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"). The City Council (the "City Council") of the City, acting as legislative body of Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills (the "District"), has authorized the issuance of the Bonds. See "THE BONDS – Authority for Issuance."

Security and Sources of Payment. The Bonds are payable from proceeds of Special Tax Revenues (as defined in this Official Statement) levied on property within the District according to the first amended rate and method of apportionment of special tax approved by the City Council and the eligible landowner voters in the District. The Bonds are secured by a first pledge of the revenues derived from the Special Tax Revenues and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

Use of Proceeds. The Bonds are being issued to (a) refund certain outstanding special tax bonds of the City captioned "\$16,215,000 Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills Special Tax Bonds, Series 2002," which are currently outstanding in the aggregate principal amount of \$13,635,000, (b) fund a debt service reserve fund for the Bonds and (c) pay the costs of issuing the Bonds. See "FINANCING PLAN."

Bond Terms. Interest on the Bonds is payable on September 1, 2013, and semiannually thereafter on each March 1 and September 1. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. See "THE BONDS – General Bond Terms" and "APPENDIX D – DTC and the Book-Entry Only System."

Redemption. The Bonds are subject to optional redemption and special mandatory redemption from prepaid Special Taxes. See "THE BONDS - Redemption."

THE BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY BONDS, DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NONE OF THE CITY (EXCEPT TO THE LIMITED EXTENT DESCRIBED IN THIS OFFICIAL STATEMENT), THE STATE OR ANY OF THEIR RESPECTIVE POLITICAL SUBDIVISIONS IS LIABLE ON THE BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY (EXCEPT TO THE LIMITED EXTENT DESCRIBED IN THIS OFFICIAL STATEMENT) OR THE STATE OR ANY OF THEIR RESPECTIVE POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE BONDS. OTHER THAN THE SPECIAL TAX REVENUES, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE SPECIAL TAX REVENUES AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

MATURITY SCHEDULE

(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves risks that may not be appropriate for some investors. See "BONDOWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters have been passed upon for the City by Richards, Watson & Gershon, a Professional Corporation, Los Angeles, California. Jones Hall, A Professional Law Corporation, has served as disclosure counsel to the City. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about _____, 2013.

STONE & YOUNGBERG
A DIVISION OF STEEL NICHOLAIS

The date of this Official Statement is: _____, 2013.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

\$ _____
(Base CUSIP†: _____)

| Maturity (September 1) | Principal Amount | Interest Rate | Yield | CUSIP† |
|---------------------------|---------------------|------------------|-------|--------|
|---------------------------|---------------------|------------------|-------|--------|

† Copyright 2013, American Bankers Association. CUSIP data in this Official Statement 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 nor the Underwriter assumes any responsibility for the accuracy of CUSIP data.

* Preliminary; subject to change.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement. If given or made, such other information or representation must not be relied on as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement constitutes neither an offer to sell nor the solicitation of an offer to buy in any state in which the offer or solicitation is not authorized or the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make the offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion it contains are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City, the District, any other parties described in this Official Statement, or in the condition of property within the District since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. It is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness.

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.

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions, and do not purport to be complete statements, of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue that market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as an agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance on exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. The statements are generally identifiable by terminology such as "plan," "expect," "estimate," or "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN FORWARD-LOOKING STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THE STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH THE STATEMENTS ARE BASED OCCUR.

Internet Site. The City maintains an Internet website, but the information that it contains is not incorporated in this Official Statement.

CITY OF BEVERLY HILLS

CITY COUNCIL

William W. Brien, M.D., *Mayor*
John A. Mirisch, *Vice Mayor*
Lili Bosse, *Councilmember*
Barry Brucker, *Councilmember*
Julian A. Gold, M.D., *Councilmember*

ADMINISTRATIVE OFFICERS

Jeff Kolin, *City Manager*
Mahdi Aluzri, *Assistant City Manager*
Eliot M. Finkel, *City Treasurer*
Noel Marquis, *Acting Director of Administrative Services and Chief Financial Officer*
Byron Pope, *City Clerk*
Laurence S. Wiener, *City Attorney*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

SPECIAL TAX CONSULTANT

Dolinka Group, LLC
Irvine, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

FISCAL AGENT and ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

[REGIONAL MAP]

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OFFICIAL STATEMENT

\$13,440,000*
**COMMUNITY FACILITIES DISTRICT NO. 2002-
A (BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS
2013 SPECIAL TAX REFUNDING BONDS**

INTRODUCTION

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the "**Bonds**") to be issued by the City of Beverly Hills (the "**City**") on behalf of Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills (the "**District**").

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, the inside cover and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 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 definitions given in the Fiscal Agent Agreement (as defined below).

The City. For economic and demographic information regarding the area in and around the City, see "APPENDIX A."

For further information about the City, see its Internet website at www.beverlyhills.org. *The information that it contains is not incorporated by reference in this Official Statement.*

The District. The District consists of 155 fully-developed parcels of property. Of the parcels, 142 currently constitute Taxable Property, and 13 have prepaid their Special Tax obligation and are exempt from the Special Tax. The District is comprised of commercial properties whose occupants include high-end retail, luxury hotels, Class A office space and a Whole Foods Market. It is an international destination for shopping and dining and is home to the flagship stores of many high-end boutiques, particularly on Rodeo Drive.

A sample of commercial tenants currently located in the District includes Cartier, Gucci, Louis Vuitton, Dolce & Gabbana, Tiffany and Prada. Hotel properties in the District include the Luxe Hotel on Rodeo Drive and the recently completed Montage Beverly Hills on North Canon Drive. See "BOND OWNERS' RISKS – Risks Associated with Commercial Properties."

The District was formed and established by the City Council of the City (the "**City Council**"), as legislative body of the District, under the Mello-Roos Community Facilities Act of 1982, as amended (the "**Act**"), pursuant to a resolution adopted by the City Council following a public hearing, and a

* Preliminary; subject to change.

landowner election at which the qualified electors of the District authorized the City to incur bonded indebtedness for the District and approved the levy of special taxes. See "THE DISTRICT – Formation and Background."

Authority for Issuance of the Bonds. The Bonds are issued under the Act, the Resolution of Issuance adopted on January 24, 2013 (the "**Resolution of Issuance**"), and a Fiscal Agent Agreement, dated as of February 1, 2013 (the "**Fiscal Agent Agreement**"), by and between the City and U.S. Bank National Association, as fiscal agent (the "**Fiscal Agent**"). See "THE BONDS – Authority for Issuance."

Purpose of the Bonds. The Bonds are being issued to (a) refund certain outstanding special tax bonds of the City captioned "\$16,215,000 Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills Special Tax Bonds, Series 2002" (the "2002 Bonds"), which are currently outstanding in the aggregate principal amount of \$13,635,000, (b) fund a debt service reserve fund for the Bonds and (c) pay the costs of issuing the Bonds. See "FINANCING PLAN."

Redemption of Bonds Before Maturity. The Bonds are subject to optional redemption and special mandatory redemption from prepaid Special Taxes. See "THE BONDS – Redemption."

Security and Sources of Payment for the Bonds. The City Council annually levies special taxes on the property in the District (the "**Special Taxes**") in accordance with the First Amended Rate and Method of Apportionment for Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills (the "**Rate and Method**"). The Bonds are secured by and payable from a first pledge of the net proceeds of the Special Taxes (as more particularly defined in the Fiscal Agent Agreement, the "**Special Tax Revenues**"). The Bonds will also be secured by certain funds and accounts established and held under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

Covenant to Foreclose. The City has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant see "SECURITY FOR THE BONDS - Covenant to Foreclose."

Risk Factors Associated with Purchasing the Bonds. Investment in the Bonds involves risks that may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

FINANCING PLAN

Refunding Plan

The City issued the 2002 Bonds in December 2002 in the original principal amount of \$16,215,000 for the purpose of financing City facilities. See "THE DISTRICT – Formation and Background."

The 2002 Bonds are currently outstanding in the aggregate principal amount of \$13,635,000. All the outstanding 2002 Bonds will be redeemed in full, on a current basis, on March 1, 2013 (the "**Redemption Date**"), at a redemption price equal to 101% of their aggregate principal amount, together with interest coming due and payable on the Redemption Date.

In order to accomplish the refunding plan, a portion of the net proceeds of the Bonds, together with certain other funds on hand with respect to the 2002 Bonds, will be transferred to U.S. Bank National Association, as escrow agent for the 2002 Bonds (the "**Escrow Agent**"), for deposit in an escrow fund (the "**Escrow Fund**") to be established under Irrevocable Refunding Instructions, dated as of the Bonds' delivery date, that will be given by the City to the Escrow Agent.

The Escrow Agent will invest the amounts on deposit in the Escrow Fund in United States Treasury Securities, State and Local Government Series. These funds, together with any remaining amounts held in cash by the Escrow Agent, will be sufficient to pay and redeem the 2002 Bonds in full on the Redemption Date. See "VERIFICATION OF MATHEMATICAL ACCURACY."

Amounts on deposit in the Escrow Fund are not available to pay debt service on the Bonds.

Estimated Sources and Uses of Funds

The estimated proceeds from the sale of the Bonds will be deposited into the following funds established under the Fiscal Agent Agreement:

SOURCES

| | |
|---|----|
| Principal Amount of Bonds | \$ |
| <i>Plus/Less: Net Original Issue Premium/Discount</i> | |
| <i>Plus: Funds Related to 2002 Bonds [1]</i> | |
| <i>Total Sources</i> | \$ |

USES

| | |
|--|----|
| Deposit into Escrow Fund [2] | \$ |
| Deposit into Reserve Fund [3] | |
| Deposit into Surplus Fund | |
| Deposit into Costs of Issuance Account [4] | |
| Underwriter's Discount | |
| <i>Total Uses</i> | \$ |

-
- [1] Consists of amounts from the debt service reserve account and administrative expense account of the special tax fund, a portion of the fiscal year 2012-13 special tax collections in the special tax fund, and amounts from the surplus fund for the 2002 Bonds.
- [2] Will be used to defease and refund the 2002 Bonds. See "–Refunding Plan" above.
- [3] Equal to the Reserve Requirement with respect to the Bonds as of their date of delivery.
- [4] Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, the cost of printing the Preliminary Official Statement and Final Official Statement, fees and expenses of the Fiscal Agent and Escrow Agent, and fees of the Verification Agent, rating agency, and Special Tax Consultant.
-

THE BONDS

This section generally describes the terms of the Bonds contained in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX B. Capitalized terms used but not defined in this section are defined in APPENDIX B.

Authority for Issuance

The Bonds are issued under the Act, the Resolution of Issuance and the Fiscal Agent Agreement. Under the Resolution of Issuance, the Bonds may be issued in a maximum principal amount of \$14,000,000.

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The Bonds will be dated their date of delivery (the "**Delivery Date**") and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple of \$5,000.

Calculation of Interest. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing September 1, 2013 (each, an "**Interest Payment Date**").

Each Bond will bear interest from the Interest Payment Date next preceding its date of authentication unless

(i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date (as defined below) preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or

(iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Bond Date;

provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

"Record Date" means the 15th day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

DTC and Book-Entry Only System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). See APPENDIX D – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments of Interest and Principal. For so long as DTC is used as depository for the Bonds, principal of, premium, if any, and interest payments on the Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the Bonds, for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC.

Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date; any such instructions will continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

Redemption*

Optional Redemption. The Bonds are subject to redemption prior to their stated maturities, on any Interest Payment Date on and after September 1, 20__, in whole or in part, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund under the Fiscal Agent Agreement will be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as shown below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|--|-------------------------|
| Any Interest Payment Date through March 1, 20__ | 103% |
| September 1, 20__ and any Interest Payment Date thereafter | 100% |

Purchase in Lieu of Redemption. In lieu of redemption, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

Any Bonds purchased pursuant to this provision of the Fiscal Agent Agreement will be treated as outstanding Bonds under the Fiscal Agent Agreement, except to the extent otherwise directed by the City.

* Preliminary; subject to change.

Selection of Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all the Bonds, the City will direct the Fiscal Agent regarding the Bonds to be redeemed, and if not so directed, the Fiscal Agent will select the Bonds to be redeemed pro rata among maturities and by lot within a single maturity.

Notice of Redemption. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories, to the MSRB, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

However, while the Bonds are subject to DTC's book-entry system, the Fiscal Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Fiscal Agent Agreement.

Conditional Redemption Notice and Rescission of Redemption. Any notice relating to optional redemption or redemption from Special Tax prepayments may specify that redemption on the specified date will be subject to receipt by the City of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the City nor the Fiscal Agent will have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys. The City will have the right to rescind any redemption by written notice to the Fiscal Agent on or prior to the date fixed for redemption.

Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute a default under the Fiscal Agent Agreement.

The Fiscal Agent will mail notice of rescission of redemption in the same manner that notice of redemption was originally provided.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption have been deposited in the Bond Fund, such Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice of redemption. All Bonds redeemed and purchased by the Fiscal Agent will be canceled by the Fiscal Agent.

No Issuance of Future Bonds

The City will covenant in the Fiscal Agent Agreement that it will not issue any additional bonds or other indebtedness payable from the Special Tax Revenues (other than refunding bonds).

Registration, Transfer and Exchange

The provisions of the Fiscal Agent Agreement regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX D – DTC and the Book-Entry Only System."

The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds, which will at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered, transferred or exchanged, on said books, the ownership of the Bonds as provided in the Fiscal Agent Agreement.

See APPENDIX B for additional details regarding the registration, transfer and exchange of the Bonds.

DEBT SERVICE SCHEDULE

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming there are no optional redemptions.

| Year Ending September 1 | Principal | Interest | Total |
|----------------------------|-----------|----------|-------|
| 2013 | | | |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| Total: | | | |

SECURITY FOR THE BONDS

This section generally describes the security for the Bonds set forth in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX B. Capitalized terms used but not defined in the section are defined in APPENDIX B.

General

The Bonds are secured by a first pledge of and lien on all the Special Tax Revenues and moneys deposited in the Bond Fund and Reserve Fund, and in the Special Tax Fund until disbursed as provided in the Fiscal Agent Agreement. The pledge will be effected in the manner and to the extent provided in the Fiscal Agent Agreement.

The Special Tax Revenues and all moneys deposited into such funds are dedicated to the payment of the principal of, and interest and any premium on, the Bonds to the extent provided in the Fiscal Agent Agreement and the Act until all the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

"Special Tax Revenues" are defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon.

However, Special Tax Revenues do not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

Limited Obligation

The Bonds and interest thereon are not payable from the general fund of the City. Except with respect to the Special Tax Revenues, neither the credit nor the taxing power of the City is pledged for the payment of the Bonds or interest thereon, and no Owner of the Bonds may compel the exercise of the taxing power by the City or the forfeiture of any of its property.

The principal of and interest on the Bonds and premiums upon the redemption of any thereof are not a debt of the City (except to the limited extent described in this Official Statement), the State of California nor any of its political subdivisions, within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the City, except the Special Tax Revenues that are, under the terms of the Fiscal Agent Agreement, pledged for the payment of the Bonds and interest thereon. Neither the members of the City Council nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Special Taxes

Covenant to Levy Special Taxes. The City will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the County Auditor-Controller will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll.

The City will fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund and an amount estimated to be sufficient to pay the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement and in the Special Tax Fund.

The Special Taxes so levied may not exceed the authorized amounts as provided in the proceedings for the formation of the District.

Manner of Collection. The Fiscal Agent Agreement provides that the Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds.

Rate and Method

The following is a summary of certain provisions of the Rate and Method. This summary does not purport to be comprehensive and reference should be made to the Rate and Method attached hereto as APPENDIX C. All capitalized terms not defined in this section have the meanings provided in the Rate and Method.

General. For each Fiscal Year, beginning with Fiscal Year 2003-04 (the first year in which the Special Tax was levied), each Assessor's Parcel will be classified as Taxable Property or Exempt Property. "**Taxable Property**" consists of all Unmodified Property and Modified Property, and is subject to Special Taxes pursuant to the Rate and Method. "**Unmodified Property**" means any Assessor's Parcel that has not had a Building Permit issued by the City for the construction of an additional Floor(s) since December 4, 2001. However, an Assessor's Parcel for which a Building Permit has been issued to construct a first Floor will be considered to be Unmodified Property until a Building Permit for one or more additional Floors has been issued for that Assessor's Parcel. "**Modified Property**" means an Assessor's Parcel for which a Building Permit was issued to construct a Floor(s) on or before January 1, of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied, but after December 4, 2001. Notwithstanding the above, Assessor's Parcels for which a Building Permit has been issued to construct a first Floor shall not be considered to be Modified Property until a building permit for one or more additional Floors has been issued for that Assessor's Parcel. As a result, pursuant to the Rate and Method, the pulling of a building permit for additional floors results in a modification of special tax rates applicable for such parcels.

Method of Apportionment. Beginning Fiscal Year 2003-04 and for each subsequent Fiscal Year, Annual Special Taxes will be levied on each Assessor's Parcel of Unmodified Property and Modified Property in the following steps to satisfy the Annual Special Tax Requirement:

First: The Annual Special Taxes will be levied Proportionately on each Assessor's Parcel of Modified Property and Unmodified Property up to 91% of the Maximum Annual Special Tax rates listed in Table 1 of the Rate and Method.

Second: If additional Special Tax revenues are required to satisfy the Annual Special Tax Requirement after the first step, the Annual Special Taxes will be levied Proportionately on each Assessor's Parcel of Modified Property and Unmodified Property up to the Maximum Annual Special Tax rates listed in Table 1 of the Rate and Method.

Prepayment of Annual Special Tax. The Annual Special Tax obligation of an Assessor's Parcel of Unmodified Property or an Assessor's Parcel of Modified Property may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment will be determined according to the Rate and Method.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, will be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the City.

Partial Prepayment of Annual Special Tax. The Annual Special Tax obligation of an Assessor's Parcel of Unmodified Property or an Assessor's Parcel of Modified Property may be partially prepaid at the times and under the conditions specified in the Rate and Method, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for partial prepayment will be determined according to the Rate and Method.

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Fiscal Agent Agreement provides that the Special Taxes are to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Foreclosure Under the Act. Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

Under the Fiscal Agent Agreement, the City covenants for the benefit of the Owners of the Bonds that it will

(i) commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than \$10,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due,

(ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year, and

(iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.5 of the Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Taxes. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "FDIC"). See "BOND OWNERS' RISKS - Bankruptcy and Foreclosure Delays."

Special Tax Fund

Establishment and Deposits. Under the Fiscal Agent Agreement, the Special Tax Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent will deposit amounts received from or on behalf of the City consisting of Special Tax Revenues (and any amounts transferred from the Administrative Expense Fund and the Bond Fund).

The City will promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent into the Special Tax Fund.

However, notwithstanding the foregoing, the following amounts will be separately identified and disposed of as follows:

Collections of Delinquencies. Any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes will be separately identified by the City and will be used by the Fiscal Agent:

first, for transfer to the Bond Fund to pay any past due Debt Service on the Bonds;

second, for transfer to the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement; and

third, to be held in the Special Tax Fund for use as described below.

Special Tax Prepayments. Any proceeds of Special Tax Prepayments will be separately identified by the City and will be deposited by the Fiscal Agent in the Special Tax Prepayments Account.

Disbursements. On the fifth Business Day before each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) the amount or portion thereof, not exceeding \$25,000 per Fiscal Year, which an Authorized Officer directs the Fiscal Agent in writing to deposit in the Administrative Expense Fund and which, when added to the amounts on deposit therein, is sufficient to pay (A) Administrative Expenses that the City reasonably expects will become due and payable during such Fiscal Year, and (B) any Administrative Expenses that previously have been incurred and paid by the City from funds other than the Administrative Expense Fund;

(ii) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund, and any expected transfers from the Reserve Fund and the Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid;

(iii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement; and

(iv) to the Administrative Expense Fund the amount of Administrative Expenses in excess of the amount previously transferred thereto pursuant to (i) above, as directed in writing by an Authorized Officer.

After making the transfers from the Special Tax Fund described above, as soon as practicable after each September 1, and in any event prior to each October 1, the Fiscal Agent will (a) transfer from the Special Tax Fund to the Surplus Fund the amount, if any, needed to bring the amount on deposit in the Surplus Fund to \$100,000, and then (b) retain in the Special Tax Fund any remaining amounts that it contains, to be applied for the purposes of the Special Tax Fund, and to be included as being available in calculating the amount of the levy of Special Taxes for the subsequent Fiscal Year.

Surplus Fund. The amounts in the Surplus Fund are pledged to the repayment of the Bonds. If the City reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service

on any Outstanding Bonds, the City will notify the Fiscal Agent in a Certificate of an Authorized Representative and the Fiscal Agent will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund will be invested at the written direction of the City in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Bond Fund

Establishment and Deposits. Under the Fiscal Agent Agreement, the Bond Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by the Fiscal Agent Agreement.

Moneys in the Bond Fund will be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and will be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as described below.

Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent will notify the City in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds or optional redemption of the Bonds). On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent will determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. If amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the City of the amount of the insufficiency.

If amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will withdraw from the Reserve Fund, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund will be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments described above, the Fiscal Agent will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments.

Reserve Fund

General. In order to further secure the payment of principal of and interest on the Bonds, certain proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the "Reserve Requirement" for the Bonds, being the amount which will be equal to the Reserve Requirement for the Bonds. See "FINANCING PLAN – Estimated Sources and Uses of Funds."

Moneys in the Reserve Fund will be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of, and interest and any premium on, the Bonds and will be subject to a lien in favor of the Owners of the Bonds.

Reserve Requirement. The “Reserve Requirement” is defined in the Fiscal Agent Agreement to mean [the least of the following:

- (a) Maximum Annual Debt Service on the Outstanding Bonds,
- (b) 125% of average Annual Debt Service on the Outstanding Bonds and
- (c) 10% of the original principal amount of the Bonds.]

Disbursements. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or for the purpose of redeeming Bonds from the Bond Fund.

See APPENDIX B for a complete description of the timing, purpose and manner of disbursements from the Reserve Fund.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out.

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the City will be invested by the City in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out.

See APPENDIX B for a definition of “Permitted Investments.”

THE DISTRICT

Formation and Background

Formation Proceedings. The District was established by the City Council under the Act on July 18, 2002, following a noticed public hearing. On October 22, 2002, a landowner election was held in which the qualified electors within the District approved a ballot proposition authorizing the City to incur bonded indebtedness for the District of up to \$22,000,000 to finance the acquisition and construction of the authorized facilities and levy the Special Taxes.

Authorized Facilities. The District is authorized to finance the cost of public improvements within or benefiting the City, including, but not limited to, new street and median trees, widening of concrete sidewalks, signalized mid-block pedestrian crossings, signage, storm drains, street fixtures, parking meters, and new street lights and appurtenant facilities.

The Rate and Method for the District is attached as APPENDIX C.

Issuance of 2002 Bonds. On December 5, 2002, the City issued the 2002 Bonds in the original principal amount of \$16,215,000. No other series of bonds has been issued under the District's voter authorization. The proceeds of the 2002 Bonds were used primarily to finance certain public improvements within the District to be owned, operated or maintained by the City. The improvements were implemented as part of a program that the City created to maintain and further the appeal of an area commonly known as the "Business Triangle." See "- Description and Location."

All the outstanding 2002 Bonds will be defeased and refunded with the proceeds of the Bonds, as well amounts in certain funds related to the 2002 Bonds. See "FINANCING PLAN."

Description and Location

General. The District is located on approximately 70 gross acres of property in the central part of the City and is part of the area that is commonly known as the "Business Triangle." Its boundaries fall between Wilshire Boulevard to the south, South Santa Monica Boulevard to the north and northwest and Crescent Drive to the northeast, with parcels located on Rodeo Drive, Beverly Drive and Canon Drive, as well as Brighton Way, Dayton Way, Wilshire Boulevard and Santa Monica Boulevard.

Property Ownership, Prepaid Parcels and Development Status. The District consists of 155 fully-developed parcels of property. Of the parcels, 142 currently constitute Taxable Property, and 13 have prepaid their Special Tax obligation and are exempt from the Special Tax. The District is comprised of commercial properties whose occupants include high-end retail, luxury hotels and Class A office space. It is an international destination for shopping and dining and is home to the flagship stores of many high-end boutiques, particularly on Rodeo Drive.

A sample of commercial tenants currently located in the District includes Cartier, Gucci, Louis Vuitton, Dolce & Gabbana, Tiffany and Prada. Hotel properties in the District include the Luxe Hotel on Rodeo Drive and the recently completed Montage Beverly Hills on North Canon Drive. See "BOND OWNERS' RISKS – Risks Associated with Commercial Properties."

Assessed Property Value and Value-to-Burden Ratio

No Appraisal. The City has not commissioned an appraisal of the property in the District. Therefore, all estimated property values shown in this Official Statement are based on the Fiscal Year 2012-13 County Assessor's roll (which is the last equalized assessor's roll).

The current market value of the parcels within the District could be different than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Values. Article XIII A of the California Constitution ("**Proposition 13**") defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Because of the general limitation to 2% per year in increases in full cash value of properties that remain in the same ownership, the county tax roll does not reflect values uniformly proportional to actual market values.

In addition, assessed values can be reduced as a result of two basic types of property tax assessment appeals under State law: (a) a base-year assessment appeal, which involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction, and (b) a Proposition 8 appeal, which can result (as a result of a property owner's application) if factors occur causing a decline in the market value of the property to a level below the property's then-current assessed value.

No assurance can be given that should a parcel with delinquent Special Taxes be foreclosed and sold for the amount of the delinquency, that any bid will be received for such property, or if a bid is received that such bid will be sufficient to pay such delinquent Special Taxes.

Assessed Valuation History. The table below provides a five-year history of the overall assessed valuation of Taxable Property in the District.

**Table 1
Assessed Valuation History [1]**

| Fiscal Year | Land Value | Improvement Value | Other Value [3] | Total | Percentage Change |
|-------------|---------------|-------------------|-----------------|-----------------|-------------------|
| 2008-09 | \$616,418,349 | \$ 861,994,083 | \$1,859,985 | \$1,480,272,417 | N/A |
| 2009-10 | 617,776,852 | 815,807,792 | 0 | 1,433,584,644 | -3.26% |
| 2010-11 | 619,566,496 | 856,759,129 | 0 | 1,476,325,625 | 2.90 |
| 2011-12 | 627,299,871 | 836,093,091 | 0 | 1,463,392,962 | -0.88 |
| 2012-13 [2] | 661,293,507 | 1,063,265,616 | 59,923 | 1,724,619,046 | 15.15 |

[1] Based on County Assessor's roll, dated January 1 during the fiscal year indicated, for Taxable Property only. Excludes Exempt Property and Prepaid Parcels.

[2] There was a 15.15% increase in the total assessed value from Fiscal Year 2011-12 to 2012-13 attributable to ten parcels that were either improved or sold.

[3] Represents personal property, which may include furniture, fixtures and business equipment.

Source: County of Los Angeles.

Assessed Values by Year of Last Transfer. The table below shows the years in which the parcels constituting Taxable Property in the District were last transferred, resulting in a change in their assessed valuations under Proposition 13.

Table 2
Fiscal Year 2012-13 Assessed Values by Year of Last Transfer

| Year of Transfer | Number of Parcels | Fiscal Year 2012-13 Assessed Value [1] | Percent of Total Assessed Value |
|------------------|-------------------|--|---------------------------------|
| 1959 | 1 | \$ 683,170 | 0.04% |
| 1967 | 1 | 835,573 | 0.05 |
| 1972 | 2 | 15,206,335 | 0.88 |
| 1974 | 4 | 36,421,945 | 2.11 |
| 1975 | 1 | 1,456,174 | 0.08 |
| 1980 | 4 | 58,668,256 | 3.40 |
| 1986 | 6 | 5,468,746 | 0.32 |
| 1987 | 2 | 5,487,974 | 0.32 |
| 1988 | 3 | 2,115,108 | 0.12 |
| 1989 | 8 | 29,560,817 | 1.71 |
| 1990 | 1 | 1,511,850 | 0.09 |
| 1992 | 1 | 3,368,945 | 0.20 |
| 1993 | 2 | 2,651,121 | 0.15 |
| 1994 | 1 | 16,144,155 | 0.94 |
| 1995 | 3 | 36,659,912 | 2.13 |
| 1996 | 1 | 1,810,564 | 0.10 |
| 1997 | 1 | 3,494,951 | 0.20 |
| 1998 | 1 | 9,735,469 | 0.56 |
| 1999 | 4 | 32,530,653 | 1.89 |
| 2000 | 5 | 45,472,541 | 2.64 |
| 2001 | 9 | 37,841,799 | 2.19 |
| 2002 | 7 | 51,559,603 | 2.99 |
| 2003 | 2 | 27,327,799 | 1.58 |
| 2004 | 2 | 26,928,173 | 1.56 |
| 2005 | 10 | 204,550,962 | 11.86 |
| 2006 | 6 | 185,273,103 | 10.74 |
| 2007 | 13 | 484,664,161 | 28.10 |
| 2008 | 21 | 142,317,983 | 8.25 |
| 2009 | 5 | 47,493,373 | 2.75 |
| 2010 | 6 | 100,672,918 | 5.84 |
| 2011 | 9 | 106,704,913 | 6.19 |
| Total | 142 | \$1,724,619,046 | 100.00% |

[1] There are 13 parcels that are classified as Prepaid and not included in the table, representing a total assessed value of \$7,379,573.

Source: County of Los Angeles.

Estimated Value-to-Burden Ratios. The table below shows the approximate projected value-to-burden ratio for the parcels in the District currently classified as Taxable Property, and subject to the Special Tax levy, based on the assessed values reported by the County Assessor for fiscal year 2012-13 and the proposed principal amount of the Bonds.

No assurance can be given that the amounts shown in this table will conform to those ultimately realized in the event of a foreclosure action resulting from delinquency in the payment of Special Taxes.

Table 3*
Assessed Values and Value-to-Burden Ratios
Allocated by Value-to-Burden Category

| Value-to-Burden Category | Number of Parcels | Projected Fiscal Year 2012-13 Special Tax | Percent of Special Tax | Fiscal Year 2012-13 Secured Assessed Valuation [1] | Percent of Total Valuation | Pro Rata Share of Bonds [2] | Value-to-Burden Ratio [3] |
|--------------------------|-------------------|---|------------------------|--|----------------------------|-----------------------------|---------------------------|
| 90:0:1 and greater | 44 | \$362,946 | 32.27% | \$1,394,769,046 | 80.87% | \$4,337,394 | 321.57:1 |
| 80:1 to 90:1 | 6 | 49,555 | 4.41 | 50,853,957 | 2.95 | 592,211 | 85.87:1 |
| 70:1 to 80:1 | 5 | 24,186 | 2.15 | 22,803,632 | 1.32 | 289,040 | 78.89:1 |
| 60:1 to 70:1 | 5 | 49,933 | 4.44 | 38,873,804 | 2.25 | 596,730 | 65.14:1 |
| 50:1 to 60:1 | 10 | 92,991 | 8.27 | 60,684,836 | 3.52 | 1,111,289 | 54.61:1 |
| 40:1 to 50:1 | 13 | 104,579 | 9.30 | 55,185,750 | 3.20 | 1,249,773 | 44.16:1 |
| 30:1 to 40:1 | 13 | 75,788 | 6.74 | 33,453,686 | 1.94 | 905,705 | 36.94:1 |
| 20:1 to 30:1 | 12 | 132,535 | 11.78 | 40,338,946 | 2.34 | 1,583,866 | 25.47:1 |
| 10:1 to 20:1 | 19 | 118,625 | 10.55 | 19,348,700 | 1.12 | 1,417,626 | 13.65:1 |
| 5:1 to 10:1 | 14 | 84,974 | 7.56 | 8,306,689 | 0.48 | 1,015,489 | 8.18:1 |
| Less than 5:1 | 1 [4] | 28,524 | 2.54 | 0 | 0.00 | 340,876 | 0.00:1 |
| Total | 142 | \$1,124,637 | 100.00% | \$1,724,619,046 | 100.00% | \$13,440,000 | 128.32:1 |

[1] Based on County Assessor's roll dated January 1, 2012 for Taxable Property only. Excludes Exempt Property and Prepaid Parcels.

[2] Allocated based on proportionate share of actual Fiscal Year 2012-13 Special Tax.

[3] Calculated by dividing Fiscal Year 2012-13 Secured Assessed Valuation by the Pro Rata Share of Bonds.

[4] This parcel (Assessor's Parcel Number 4343-019-902) is not assigned a secured assessed value by the County, but is classified as Taxable Property under the Rate and Method. It is subject to the annual levy of the Special Tax, as further described below. See "– Property Ownership – Parcel Without Assessed Value."

Source: Dolinka Group, LLC; County of Los Angeles.

Effective Tax Rates in the District

There is a significant amount of variability of effective tax rates in the District because of the various square footages and commercial uses of its parcels. Based on information provided by National Tax Data, Inc., the rates range from 0.73% (1 parcel, or 1.61% of the Special Tax) to 1.96% (30 parcels, or 17.08% of the Special Tax) and average 1.19%. This information does not reflect one parcel that is classified as Taxable Property under the Rate and Method (see "– Property Ownership – Parcel Without Assessed Value").

There are no overlapping bonded special assessments or special taxes in the District.

* Preliminary; subject to change.

Property Tax Collection and Delinquency Rates within the District

Overall Delinquencies. The Annual Special Tax was first levied in fiscal year 2003-04.

The table below presents the collections and delinquencies only of Annual Special Tax for Fiscal Years 2006-07 through 2011-12.

**Table 4
Special Tax Collections and Delinquencies
Fiscal Years 2006-07 through 2011-12**

| Fiscal Year | Special Tax Levied | As of Fiscal Year End [1] | | | As of October 29, 2012 | | |
|-------------|--------------------|--------------------------------------|-------------------------------------|------------------------------------|------------------------------------|-----------------------------------|----------------------------------|
| | | Fiscal Year Parcels Delinquent | Fiscal Year Amount Delinquent | Fiscal Year Delinquency Rate | Remaining Parcels Delinquent | Remaining Amount Delinquent | Remaining Delinquency Rate |
| 2006-07 | \$1,001,469.76 | 1 | \$ 243.90 | 0.02% | 0 | \$0.00 | 0.00% |
| 2007-08 | 1,020,489.02 | 0 | 0.00 | 0.00 | 0 | 0.00 | 0.00 |
| 2008-09 | 1,042,751.54 | 1 | 2,582.69 | 0.25 | 0 | 0.00 | 0.00 |
| 2009-10 | 1,063,507.26 | 2 | 7,833.54 | 0.74 | 0 | 0.00 | 0.00 |
| 2010-11 | 1,082,296.62 | 1 | 5,361.26 | 0.50 | 0 | 0.00 | 0.00 |
| 2011-12 | 1,104,309.48 | 2 | 10,706.34 | 0.97 | 0 | 0.00 | 0.00 |

[1] Fiscal Year End is June 30 of the indicated Fiscal Year.
Source: Dolinka Group, LLC; County Tax Collector's office.

No Prior or Pending Foreclosure Actions. To date, the City has not initiated foreclosure actions against any parcels with Special Tax delinquencies.

No Teeter Plan. Collection of the Special Taxes is not subject to the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds," as provided for in Section 4701 et seq. of the California Revenue and Taxation Code (known as the "Teeter Plan"). Accordingly, collections of Special Taxes will reflect actual delinquencies, if any.

Potential Consequences of Continuing Special Tax Delinquencies

Sustained and continuing delinquencies in the payment of the Special Taxes at increased levels could cause a draw on the Reserve Fund established for the Bonds and perhaps, ultimately, a default in the payment on the Bonds. See "BOND OWNERS' RISKS."

In such an event, the City could receive additional funds for the payment of debt service through foreclosures sales of delinquent property, but no assurance can be given as to the amount foreclosure sale proceeds or when foreclosure sale proceeds would be received. The City has covenanted in the Fiscal Agent Agreement to commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described herein. See "SECURITY FOR THE BONDS — Covenant to Foreclose" and "BOND OWNERS' RISKS – Limited Number of Taxable Parcels."

Special Tax Enforcement and Collection Procedures. Foreclosure actions would include, among other steps, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable special taxes and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

Following the issuance of the Bonds, the City will be obligated to pursue foreclosure actions against delinquent parcels in accordance with the covenant to foreclose contained in the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Covenant to Foreclose."

Limitations on Increases in Special Tax Levy. If owners are delinquent in the payment of Special Taxes, the City may not increase Special Tax levies to make up for delinquencies for prior fiscal years above the Maximum Special Tax rates specified in the Rate and Method. See "SECURITY FOR THE BONDS – Rate and Method." In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds. See "BOND OWNERS' RISKS."

Property Ownership

Neither the Bonds nor the Special Taxes are personal obligations of any owners of Taxable Property within the District.

General. A complete listing of all the parcels in the District, their fiscal year 2012-13 assessed values and their value-to-burden ratios, is attached as APPENDIX H.

Top Property Taxpayers. The following table provides a list of the top ten owners of Taxable Property according to their share of the Bond lien amount, which is based on the fiscal year 2012-13 Special Tax levy.

Table 5*
Top Property Taxpayers
Fiscal Year 2012-13

| Property Owner | Type of Parcels | Projected Fiscal Year 2012-13 Levy | Bonds Lien Amount [1] | % of Lien | Number of Parcels | Fiscal Year 2012-13 Secured Assessed Valuation | % of Assessed Value | Value-to-Burden Ratio |
|--------------------------------|------------------|------------------------------------|-----------------------|-----------|-------------------|--|---------------------|-----------------------|
| BEVERLY WILSHIRE OWNER LP | Office Buildings | \$56,496 | \$675,158 | 5.02% | 5 | \$162,539,934 | 9.38% | 240.74:1 |
| BEVERLY HILLS LUXURY HOTEL LLC | Hotel | 44,820 | 535,621 | 3.99 | 3 | 157,453,361 | 9.09 | 293.96:1 |
| SLOANE TWO RODEO LLC | Shopping Center | 40,257 | 481,089 | 3.58 | 1 | 266,666,221 | 15.40 | 554.30:1 |
| DOUGLAS EMMETT 2010 LLC | Supermarket | 34,350 | 410,498 | 3.05 | 1 | 22,734,197 | 1.31 | 55.38:1 |
| WEC 98G 1 LLC | Retail | 31,337 | 374,492 | 2.79 | 1 | 9,735,469 | 0.56 | 26.00:1 |
| CSHV 9595 WILSHIRE, LLC [2] | Office Building | 28,524 | 340,876 | 2.54 | 1 | 0 | 0.00 | 0.00:1 |
| BEVERLY DAYTON LLC | Retail | 27,481 | 328,414 | 2.44 | 3 | 4,450,339 | 0.26 | 13.55:1 |
| WILSHIRE-CANON LIMITED | Office Building | 25,545 | 305,270 | 2.27 | 1 | 14,132,757 | 0.82 | 46.30:1 |
| CITY NATIONAL BANK | Office Building | 23,419 | 279,868 | 2.08 | 1 | 7,059,840 | 0.41 | 25.23:1 |
| RODEO COLLECTION LTD | Retail | 22,885 | 273,491 | 2.03 | 3 | 53,831,002 | 3.11 | 196.83:1 |
| Subtotal Top Ten | | \$335,113 | \$4,004,776 | 29.80% | 20 | \$698,603,120 | 40.34% | 174.44:1 |
| Total Others | | 789,524 | 9,435,224 | 70.20 | 122 | 1,026,015,926 | 59.66 | 108.74:1 |
| Grand Total | | \$1,124,637 | \$13,440,000 | 100.00% | 142 | \$1,724,619,046[3] | 100.00% | 128.32:1 |

*Preliminary; subject to change.

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- [1] This table excludes other overlapping debt and general obligation bond debt and only represents each parcel's share of the Bonds.
- [2] This parcel (Assessor's Parcel Number 4343-019-902) is not assigned a secured assessed value by the County, but is classified as Taxable Property under the Rate and Method. It is subject to the annual levy of the Special Tax, as further described below. See "– Parcel Without Assessed Value."
- [3] Based on County Assessor's roll dated January 1, 2012 for Taxable Property only. Excludes Exempt Property and Prepaid Parcels.

Source: Dolinka Group, LLC; County Tax Collector's office.

Parcel Without Assessed Value. The County Assessor classifies 9595 Wilshire Boulevard (Assessor's Parcel Number 4343-019-902) as exempt because the underlying land is owned by a governmental agency (California State Teachers' Retirement System), and therefore, the County has not assigned it an assessed value. As a result, no information is available as to the estimated value of this parcel, nor is any value or value-to-burden information shown for it in this Official Statement.

In addition, under the Act, parcels owned by governmental agencies are generally exempt from the levy of special taxes unless certain exceptions apply, including the exception that if the governmental agency grants a leasehold interest to a non-governmental entity, a special tax can be levied on that leasehold interest. Here, 9595 Wilshire Boulevard is subject to a leasehold interest (the "**Leasehold Interest**") held by CSHV 9595 Wilshire, LLC (the "**Lessee**"), and accordingly, the City levies the Special Taxes on that leasehold interest.

The Special Taxes levied on the Leasehold Interest are *not* collected on the County Assessor's roll; rather, the City sends an annual tax bill directly to the Lessee for the parcel's Annual Special Tax obligation. To date, the Lessee has always paid all Special Taxes when due, without delinquency. Nevertheless, if delinquencies were to occur in the payment of the Special tax, the City's only remedy would be to pursue foreclosure against the Leasehold Interest. *No assurance can be given as to its market value, or as to the amount that might ultimately be realized if a foreclosure action were required against it resulting from delinquency in the payment of Special Taxes.*

Estimated Maximum Special Tax Proceeds and Debt Service Coverage

The Rate and Method is structured to produce net Special Tax revenues levied at up to the Maximum Annual Special Tax. The following table shows the estimated debt service coverage of the Bonds assuming the Maximum Annual Special Tax is levied and no property becomes Modified Property.

Table 6*
Estimated Debt Service Coverage for Bonds

| Bond Year Ending September 1 | Maximum Annual Special Taxes [1] | Administrative Expenses | Net Maximum Annual Special Taxes | Bonds Debt Service [2] | Estimated Debt Service Coverage [3] |
|------------------------------------|-------------------------------------|----------------------------|--|---------------------------|---|
| 2013 | \$1,378,985.12 | \$37,301.23 | \$1,341,683.90 | \$ 969,365.63 | 138.41% |
| 2014 | 1,406,564.83 | 38,047.25 | 1,368,517.58 | 942,193.76 | 145.25 |
| 2015 | 1,434,696.12 | 38,808.20 | 1,395,887.93 | 963,943.76 | 144.81 |
| 2016 | 1,463,390.05 | 39,584.36 | 1,423,805.69 | 988,793.76 | 143.99 |
| 2017 | 1,492,657.85 | 40,376.05 | 1,452,281.80 | 1,006,493.76 | 144.29 |
| 2018 | 1,522,511.00 | 41,183.57 | 1,481,327.44 | 1,033,593.76 | 143.32 |
| 2019 | 1,552,961.22 | 42,007.24 | 1,510,953.98 | 1,058,181.26 | 142.79 |
| 2020 | 1,584,020.45 | 42,847.38 | 1,541,173.06 | 1,080,056.26 | 142.69 |
| 2021 | 1,615,700.86 | 43,704.33 | 1,571,996.52 | 1,112,106.26 | 141.35 |
| 2022 | 1,648,014.87 | 44,578.42 | 1,603,436.46 | 1,135,456.26 | 141.22 |
| 2023 | 1,680,975.17 | 45,469.99 | 1,635,505.18 | 1,161,093.76 | 140.86 |
| 2024 | 1,714,594.67 | 46,379.39 | 1,668,215.29 | 1,188,718.76 | 140.34 |
| 2025 | 1,748,886.57 | 47,306.97 | 1,701,579.59 | 1,214,243.76 | 140.13 |
| 2026 | 1,783,864.30 | 48,253.11 | 1,735,611.19 | 1,241,362.50 | 139.82 |
| 2027 | 1,819,541.59 | 49,218.18 | 1,770,323.41 | 1,271,125.00 | 139.27 |
| 2028 | 1,855,932.42 | 50,202.54 | 1,805,729.88 | 1,296,785.00 | 139.25 |
| Total | \$25,703,297.09 | \$695,268.20 | \$25,008,028.89 | \$17,663,513.25 | 141.58% |

[1] Maximum Annual Special Taxes assumes no additional parcels become Modified Property.

[2] Bond Year 2013 includes March 1, 2013 debt service due on outstanding 2002 Bonds.

[3] Shows estimated debt service coverage based on Maximum Annual Special Taxes. However, Special Taxes are levied annually to meet debt service, not exceed it.

Source: Dolinka Group, LLC; Stone & Youngberg.

* Preliminary; subject to change.

BOND OWNERS' RISKS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. Below is a discussion of some of the risks that should be considered before making an investment decision. It does not purport to be comprehensive, definitive or a complete statement of all factors that may be considered as risks in evaluating the credit quality of the Bonds.

Risks Associated with Commercial Real Estate Properties

Property in the District is commercial in nature. There are certain significant risks associated with commercial real estate properties, as discussed in the following paragraphs.

Factors Affecting Economic Performance and Value of Commercial Properties. The economic performance and value of the Taxable Property in the District will be affected by a number of factors, including national economic conditions, regional economic conditions, local real estate conditions such as an oversupply of retail space or a reduction in the demand for retail space in the area, the attractiveness of the retail property to tenants, competition from other retailers (including on-line retailers), the quality of maintenance, the cost of insurance and management services, and increased operating costs. Other factors that may adversely affect the economic performance and value of the Taxable Property in the District include changes in government regulations and other laws, rules and regulations governing real estate, zoning or taxes, increases in interest rates, the availability of financing and potential liability under environmental and other laws.

Dependence on Tenants. The ability of property owners to pay the Special Taxes that will be levied for paying debt service on the Bonds may depend on the ability of their tenants to meet financial obligations under their leases.

In the event of defaults by tenants, delays may be experienced in enforcing rights, and substantial costs may be incurred in protecting the property owner's investment. Furthermore, at any time, a tenant could seek protection under bankruptcy laws, which could result in the termination of the tenant's lease and an interruption or loss of rental income. The bankruptcy of a major tenant, followed by the closing of its business or the leasing of its space to a different tenant or for a different use, could adversely affect the desirability of the property and result in a decrease in consumer traffic and sales income, which would adversely affect the ability of the other tenants to meet their obligations under their leases.

Due to these factors and other risks, there can be no assurance that commercial property in the District will remain economically viable throughout the term of the Bonds, or that the owners of the Taxable Property in the District will continue to have the ability throughout the term of the Bonds to pay the Special Taxes which will be levied on the Taxable Property.

Payment of the Special Tax is not a Personal Obligation

The owners and users of the parcels in the District are not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation that is secured only by a lien against the parcels on which it is levied. If the value of a parcel of Taxable Property is not sufficient to secure fully the payment of the Special Tax, the City has no recourse against the property owner.

Risk of Investment Losses

The Fiscal Agent will invest the moneys it holds in the various funds and accounts established pursuant to the Fiscal Agent Agreement in Permitted Investments, as defined in the Fiscal Agent Agreement. The City has no obligation to make up from its own funds (see “- No General Obligation of the City or the District”) any shortfalls in revenues for the payment of debt service caused by investment losses in the various funds and accounts. The City is also limited in the amount it can levy on taxable property in the District by the Maximum Special Tax identified in the Rate and Method.

Property Value

General. If a property owner defaults in the payment of the Special Tax, the only legal remedy is the institution of a superior court action to foreclose on the delinquent taxable parcel in an attempt to obtain funds with which to pay the Special Tax. The value of the parcels of Taxable Property in the District could be adversely affected by economic factors beyond the City’s control, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in that area, and the market value of retail and commercial property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, wildfire, earthquakes and floods), which may result in uninsured losses. See “—Natural Disasters.”

See “—Proceeds of Foreclosure Sale.”

Assessed Valuation. The City has not commissioned an appraisal of the parcels in the District in connection with the issuance of the Bonds. The estimated valuation of the Taxable Property in the District provided in this Official Statement is based only on the County Assessor’s values.

No assurance can be given that any of the Taxable Property in the District could be sold for the assessed value if it should become delinquent and subject to foreclosure proceedings.

Value-to-Burden Ratios. The value-to-burden ratios presented in this Official Statement are presented only to provide an overview of the value of the property that represents security for the Special Taxes. Neither the City nor the District can make any representation as to whether the values expressed in this Official Statement (whether based on assessed or appraised values) will remain unchanged. Moreover, neither the City nor the District can make any assurance that the property within the District could be sold at its assessed value. See “THE DISTRICT – Property Values” and “ – Value-to-Burden Ratio,” and “BOND OWNERS’ RISKS – Bankruptcy and Foreclosure.” Assessed values of commercial property may be particularly vulnerable to appeals and changes in assessed valuation resulting from changes in market value. For example, there can be no assurance that any owner of Taxable Property in the District agrees with or will not appeal the fiscal year 2012-13 assessed value of its property, which is used in this Official Statement for purposes of estimated value-to-burden ratios.

Assessed values do not necessarily represent market values. Article XIII A of the California Constitution (Proposition 13) defines “full cash value” to mean “the County assessor’s valuation of real property as shown on the 1975/76 roll under ‘full cash value’, or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed

2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties that remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. Moreover, as a result of declines in the market value of properties in recent years, assessed valuations of many properties in the County have declined. Consequently, there can be no assurance that the assessed value of property within the District accurately reflects the property's market value. The future fair market value of the property may be different from its current assessed value.

Exempt Properties

The Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction, or by gift or devise, that is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based on the failure to pay taxes could become exempt from the Special Tax. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property, for outstanding Bonds only, is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested. See "SECURITY FOR THE BONDS - Special Taxes."

In particular, insofar as the Act requires payment of the Special Tax by a federal entity acquiring property within the District, it may violate the federal Constitution. If for any reason property within the District becomes exempt from taxation by reason of ownership by a nontaxable entity, such as the federal government or another public agency, the Special Tax will be reallocated to the remaining taxable properties within the District (subject to the limit of the Maximum Annual Special Tax). This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact on its timely payment. Moreover, if a substantial portion of land within the District becomes exempt from the Special Tax because of public ownership, or otherwise, the maximum rate that could be levied on the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due, and a default would occur with respect to the payment of that principal and interest.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or alter the rate or method of apportionment of an existing special tax.

Parity Taxes and Special Assessments

The Special Taxes and any related penalties will constitute liens against the taxable parcels in the District until they are paid. The liens are on a parity with all special taxes and special assessments (although there currently are none) levied by other agencies and are coequal to and independent of the lien for general property taxes regardless of when they are imposed on the taxable parcel. The Special Taxes have priority over all existing and future private liens imposed on the property. The City, however, has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the taxable property within the District that is subject to the levy of Special Taxes. In addition, the property owners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on the petitioning property owners' property on a parity with the Special Taxes. The imposition of additional

indebtedness could reduce the willingness and ability of the affected property owners within the District to pay the Special Taxes when due.

Insufficiency of Special Taxes

In order to pay debt service on the Bonds, it is necessary that the Special Taxes levied against Taxable Property within the District be paid in a timely manner. The City has established the Reserve Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent Special Taxes are not paid on time and other funds are not available. See "SECURITY FOR THE BONDS – Reserve Fund" and "APPENDIX B – Summary of the Fiscal Agent Agreement."

Under the Fiscal Agent Agreement, the City has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement; subject, however, to the limitation that the City may not levy the Special Tax in any fiscal year at a rate in excess of the Maximum Annual Special Tax rates permitted under the Rate and Method. See "SECURITY FOR THE BONDS—Special Taxes." Consequently, if a delinquency occurs, the City may be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitation of the Maximum Annual Special Tax rates. If the defaults were to continue in successive years, the Reserve Fund could be depleted, and a default on the Bonds would occur if proceeds of a foreclosure sale did not yield a sufficient amount to pay the delinquent Special Taxes.

The City has made certain covenants regarding the institution of foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. See "SECURITY FOR THE BONDS—Covenant to Foreclose." If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest.

Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of and interest on the Bonds are derived, are being billed to the taxable parcels within the District on the regular property tax bills sent to owners of the parcels. The Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments.

Special Tax installment payments cannot be made separately from property tax payments. Therefore, the previous unwillingness or inability of property owners to pay their regular property tax bills (as evidenced by historic property tax delinquencies) may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. See "SECURITY FOR THE BONDS—Reserve Fund" and "-Covenant to Foreclose" for a discussion of the provisions that apply, and procedures that the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments. See also "THE DISTRICT - Property Tax Collection and Delinquency Rates within the District" for historical Special Tax delinquencies.

The City's ability to increase the Special Tax levied on any particular parcel as a result of delinquencies by other parcels is limited by the Rate and Method. Specifically, the City cannot levy Special Taxes on a parcel in an amount that exceeds the Maximum Annual Special Tax for that parcel.

Bankruptcy Delays

The payment of the Special Tax and ability of the City to commence a superior court action to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE BONDS," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. Any legal opinion to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, the application of equitable principles and the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, the bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and the possibility of Special Tax installments not being paid in part or full. The delay would increase the likelihood of that the principal of and interest on the Bonds would not be timely paid.

Proceeds of Foreclosure Sales

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax, the City Council, as the legislative body of the District, may order the Special Taxes to be collected by a superior court action to foreclose the lien within specified time limits. The City has covenanted in the Fiscal Agent Agreement that it will, under certain circumstances, commence such a foreclosure action. See "SECURITY FOR THE BONDS—Covenant to Foreclose."

No assurances can be given that a parcel of Taxable Property in the District that would be subject to a judicial foreclosure sale for delinquent Special Taxes will be sold or, if sold, that the proceeds of its sale will be sufficient to pay the delinquent Special Tax installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not specify any obligation of the City with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at present. The City is not obligated, and does not expect, to be a bidder at any such foreclosure sale.

In a foreclosure proceeding, a judgment debtor (i.e., the property owner) has 140 days from the date of service of the notice of levy in which to redeem the property to be sold and may have other redemption rights afforded by law. If a judgment debtor fails to redeem the property and the property is sold, its only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale if the purchaser was the judgment creditor. If a foreclosure sale is set aside in that manner, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made.

If foreclosure proceedings were ever instituted, any holder of a mortgage or deed of trust on the affected property could, but would not be required to, advance the amount of the delinquent Special Tax installment to protect its security interest.

In the event any superior court foreclosure or foreclosures are necessary, there could be a delay in principal and interest payments to the owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the District of the proceeds of the foreclosure sale, if any. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions and other factors beyond the control of the City, including delay

due to crowded local court calendars or legal tactics, and in any event could take several years to complete. See “–Bankruptcy Delays.”

Natural Disasters

General. The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public and private improvements on the Taxable Property. Disasters could impact the service area of the property in the District and, thus, reduce revenues to tenants and owners in the District. The risk is amplified in a community facilities district like the District with a high concentration of property ownership. See “–Concentration of Property Ownership.”

The areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity. Other natural disasters could include, without limitation, landslides, floods, or droughts. One or more natural disasters could occur and result in damage to improvements of varying seriousness. The damage may result in significant repair or replacement costs or even preclude any repair or replacement because of the cost, inability to restore use, or other considerations. Under any of these circumstances, there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may become depreciated or eliminated.

Seismic. Like most regions in the State, the City is located in an area of seismic activity and could be subject to potentially destructive earthquakes. Although the City’s Hazard Mitigation Action Plan, adopted August 17, 2010, which forms part of the City’s General Plan (the “**General Plan**”), shows no active faults mapped within City limits, there are numerous active faults within close proximity that present a potential danger. *The General Plan is not incorporated by reference in this Official Statement.*

Concentration of Property Ownership

Currently, the top ten property taxpayers in the District account for approximately 30% of the Special Tax lien. Failure of any significant property owner to pay the annual Special Taxes when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of the property upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the Bonds.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in its value. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “**CERCLA**” or the “**Superfund Act**,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not it has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The City has not independently verified the absence (nor is it aware of the presence) of any hazardous substances within the District that would affect the value or use of the Taxable Property in the District.

Disclosure to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax, even if the value of its property is sufficient to justify payment, may be affected by whether the owner was given due notice of the Special Tax authorization at the time it purchased the parcel, was informed of the amount of the Special Tax on the parcel if levied at the Maximum Annual Special Tax rate, and has the ability to pay it as well as pay other expenses and obligations. The City has caused notices of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel in the District. Although title companies normally refer to such notices in title reports, there can be no guarantee that a reference will be made in this case or, if made, that a prospective purchaser or lender will consider the Special Tax obligation when purchasing a property within the District or lending money secured by the property, respectively.

California Civil Code Section 1102.6b requires that, in the case of transfers, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “**FDIC**”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on it to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on it as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In Rust v. Johnson (9th Circuit; 1979) 597 F.2d 174, the United States

Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District and, therefore, expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan, which is secured by real property within the District, is taken over by the FDIC, and due to a default, the property becomes owned by the FDIC, the ability of the District to collect interest and penalties specified by State law and foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "**Policy Statement**") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value and the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and neither pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula that determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and, therefore, covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment of the Bonds.

No Acceleration Provision

The Bonds and the Fiscal Agent Agreement do not contain a provision allowing for the acceleration of the Bonds in the event of a payment or other default or in the event interest on the Bonds becomes included in gross income for federal income tax purposes.

Taxability Risk

As discussed under the caption "LEGAL MATTERS – Tax Exemption," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Fiscal Agent Agreement. For example, if the Internal Revenue Service were to conclude that the City or the Operator were violating applicable management contract rules in connection with operation of the Public Improvements, the interest on the Bonds could become includable in gross income for purposes of federal income tax retroactive to the date the Bonds were issued. There is no provision in the Bonds or the Fiscal Agent Agreement for special redemption or acceleration or for the payment of additional interest should such an event of taxability occur, and the Bonds will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Fiscal Agent Agreement.

Enforceability of Remedies

The remedies available to the Fiscal Agent and registered owners of the Bonds on a default under the Fiscal Agent Agreement or any other document described in this Official Statement are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. Any legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

Proposition 218

An initiative measure entitled the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes otherwise available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIC states, "...the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure, which includes notice, hearing, protest and voting

requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, the Governor of the State signed a bill into law enacting Government Code Section 5854, which states that:

Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that Article XIII C has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the District or the City Council acting as the legislative body of the District to reduce the Special Taxes in a manner that does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses (as defined in the Fiscal Agent Agreement). Nevertheless, the City has covenanted that it will not consent to, or conduct proceedings with respect to, a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any fiscal year, equal to 110% of the aggregate of the debt service due on the Bonds in such fiscal year, plus a reasonable estimate of Administrative Expenses for such fiscal year. However, no assurance can be given as to the enforceability of the foregoing covenant.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “—Enforceability of Remedies.”

Ballot Initiatives

Articles XIII C and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process, and the State Legislature has in the past enacted legislation that has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995 in the case of Rossi v. Brown, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any 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 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 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

LEGAL MATTERS

Legal Opinions

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as APPENDIX F.

Certain legal matters have been passed upon for the City by Richards, Watson & Gershon, a Professional Corporation, Los Angeles, California. Jones Hall, A Professional Law Corporation, San Francisco, California, has served as Disclosure Counsel to the City. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is serving as counsel to the Underwriter.

Tax Exemption

Opinion of Bond Counsel. 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 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 City 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 Bonds. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which 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 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 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 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 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 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 Bond (said term being the shorter of the 2013 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 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the 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 Bond premium is not deductible for federal income tax purposes. Owners of premium 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 Bonds.

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

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

No Litigation

At the time of delivery of the Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the City has been served with process or threatened, which:

- in any way questions the powers of the City Council or the City, or
- in any way questions the validity of any proceeding taken by the City Council in connection with the issuance of the Bonds, or
- wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the purchase contract with respect to the Bonds, or

- which, in any way, could adversely affect the validity or enforceability of the resolutions of the City Council adopted in connection with the formation of the District or the issuance of the Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Certificate or the purchase contract with respect to the Bonds, or
- to the knowledge of the City, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes, or
- in any other way questions the status of the Bonds under State tax laws or regulations.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District and the Bonds by not later than eight months after the end of the City's fiscal year (currently March 1 based on the City's fiscal year end of June 30) (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) (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 E.

The City has never failed to comply, in any material respect, with an undertaking under the Rule.

VERIFICATION OF MATHEMATICAL ACCURACY

Grant Thornton LLP, Minneapolis, Minnesota, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them, which were prepared by the Underwriter, relating to (1) the sufficiency of the anticipated receipts from the moneys deposited in the Escrow Fund to pay, when due, the principal and interest requirements of the 2002 Bonds, and (2) the yield on the Bonds.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned its municipal bond rating of "____" to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it, as well as on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement). There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency,

circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg a Division of Stifel Nicolaus (the "**Underwriter**"), at a purchase price of \$_____ (which represents the aggregate principal amount of the Bonds (\$_____), plus/less a net original issue premium/discount of \$_____, and less an Underwriter's discount of \$_____).

The purchase agreement relating to the Bonds provides that the Underwriter will purchase all the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

PROFESSIONAL FEES

In connection with the issuance of the Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the Bonds. Those professionals include:

- the Underwriter;
- Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel;
- A portion of the fees of Dolinka Group, LLC, as Special Tax Consultant; and
- U.S. Bank National Association, as Fiscal Agent and Escrow Agent.

EXECUTION

The execution and delivery of the Official Statement by the City has been duly authorized by the City Council, acting as the legislative body of the District.

CITY OF BEVERLY HILLS

By: _____
Jeff Kolin,
City Manager

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF BEVERLY HILLS AND LOS ANGELES COUNTY

The following information concerning the City of Beverly Hills (the "City") and Los Angeles County (the "County") are included only for the purpose of supplying general information regarding the community. 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.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

CITY OF BEVERLY HILLS AND LOS ANGELES COUNTY Population Estimates Calendar Years 2008 through 2012

| Calendar Year | City of Beverly Hills | Los Angeles County | State of California |
|------------------|--------------------------|-----------------------|------------------------|
| 2008 | 34,028 | 9,785,474 | 36,704,375 |
| 2009 | 34,084 | 9,801,096 | 36,966,713 |
| 2010 | 34,136 | 9,822,121 | 37,223,900 |
| 2011 | 34,173 | 9,847,712 | 37,427,946 |
| 2012 | 34,291 | 9,884,632 | 37,678,563 |

Source: State Department of Finance estimates (as of January 1, 2012)

Employment and Industry

The District is included in the Los Angeles-Long Beach-Glendale Metropolitan Division ("MD"), which includes all of Los Angeles County. The seasonally adjusted unemployment rate in Los Angeles County was 10.6 percent in September 2012, down from a revised 11.0 percent in August 2012, and below the rate of 12.4 percent one year ago. This compares with an unadjusted unemployment rate of 9.7 percent for California and 7.8 percent for the nation during the same period.

Set forth below is data from calendar years 2007 to 2011 reflecting the County's civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the District.

LOS ANGELES-LONG BEACH METROPOLITAN DIVISION (Los Angeles County) Civilian Labor Force, Employment and Unemployment (Annual Averages)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-----------|-----------|-----------|-----------|-----------|
| Civilian Labor Force ⁽¹⁾ | 4,872,500 | 4,934,800 | 4,904,300 | 4,910,500 | 4,924,400 |
| Employment | 4,625,600 | 4,565,500 | 4,335,200 | 4,291,400 | 4,318,900 |
| Unemployment | 246,900 | 369,300 | 569,000 | 619,100 | 605,500 |
| Unemployment Rate | 5.1% | 7.5% | 11.6% | 12.6% | 12.3% |
| <u>Wage and Salary Employment: ⁽²⁾</u> | | | | | |
| Agriculture | 7,500 | 6,900 | 6,200 | 6,200 | 5,500 |
| Mining and Logging | 4,400 | 4,400 | 4,100 | 4,100 | 4,000 |
| Construction | 157,600 | 145,200 | 117,300 | 104,500 | 103,500 |
| Manufacturing | 449,200 | 434,500 | 389,200 | 373,200 | 365,400 |
| Wholesale Trade | 227,000 | 223,700 | 204,500 | 203,300 | 207,200 |
| Retail Trade | 426,000 | 416,500 | 387,000 | 386,000 | 390,900 |
| Transportation, Warehousing and Utilities | 165,600 | 163,100 | 151,200 | 150,600 | 149,900 |
| Information | 209,800 | 210,300 | 191,200 | 191,500 | 195,600 |
| Financial Activities | 243,800 | 233,300 | 216,000 | 209,500 | 209,400 |
| Professional and Business Services | 605,400 | 582,600 | 529,800 | 527,500 | 540,400 |
| Educational and Health Services | 492,700 | 505,800 | 514,600 | 522,000 | 534,800 |
| Leisure and Hospitality | 397,900 | 401,600 | 385,600 | 384,800 | 392,800 |
| Other Services | 147,100 | 146,100 | 137,900 | 136,700 | 135,000 |
| Federal Government | 51,100 | 51,100 | 48,700 | 51,600 | 49,000 |
| State Government | 81,000 | 82,400 | 82,000 | 80,700 | 82,700 |
| Local Government | 463,700 | 470,300 | 465,200 | 447,300 | 433,500 |
| Total All Industries | 4,129,600 | 4,077,600 | 3,830,300 | 3,779,300 | 3,799,600 |

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

The following table lists the major employers within the County, as of June 2012.

**LOS ANGELES COUNTY
Major Employers
As of June 2012**

| Employer Name | Location | Industry |
|--------------------------------|-------------------|--|
| AHMC Healthcare Inc | Alhambra | Hospitals |
| All Nations Church | Lake View Terrace | Churches |
| American Honda Motor Co Inc | Torrance | Alternative Fuels |
| California Institute of Tech | Pasadena | Schools-Universities & Colleges Academic |
| California State-Northridge | Northridge | Schools-Universities & Colleges Academic |
| Cedars-Sinai Medical Ctr | West Hollywood | Hospitals |
| Century Plaza Towers | Los Angeles | Office Buildings & Parks |
| Contractor State License Ctr | Burbank | Insurance |
| Edison Carrier Solutions | Rosemead | Fiber Optics-Equipment & Systems (Mfrs) |
| FX NETWORKS LLC | Los Angeles | Television-Cable & CATV |
| Kaiser Sunset | Los Angeles | Hospitals |
| LAC & USC MEDICAL CTR | Los Angeles | Hospitals |
| Long Beach City Hall | Long Beach | City Government-Executive Offices |
| Long Beach Memorial Med Ctr | Long Beach | Hospitals |
| Los Angeles County Sheriff | Monterey Park | Sheriff |
| Los Angeles Police Dept | Los Angeles | Police Departments |
| Nestle USA Inc | Glendale | Food Products & Manufacturers |
| Pomona Valley Hospital Med Ctr | Pomona | Hospitals |
| Pro Parts | Canoga Park | Automobile Parts & Supplies-Retail-New |
| Providence Holicross Med Ctr | Sylmar | Health Services |
| Santa Monica College | Santa Monica | Schools-Universities & Colleges Academic |
| Sony Pictures Entertainment | Culver City | Motion Picture Producers & Studios |
| UCLA | Los Angeles | Schools-Universities & Colleges Academic |
| UCLA Health System | Los Angeles | Schools-Universities & Colleges Academic |
| Walt Disney Co | Burbank | Motion Picture Producers & Studios |

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

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.

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during the first two quarters of calendar year 2011 in the City were reported to be \$989,224,000, a 5.77% increase over the total taxable sales of \$935,238,000 reported during the first two quarters of calendar year 2010.

CITY OF BEVERLY HILLS
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

| | <u>Retail Stores</u> | | <u>Total All Outlets</u> | |
|---------------------|----------------------|-------------------------|--------------------------|-------------------------|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 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 |
| 2010 ⁽¹⁾ | 1,655 | 1,613,133 | 2,537 | 1,951,465 |

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

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the first two quarters of calendar year 2011 in the County were reported to be \$60,690,827,000, an 8.25% increase over the total taxable sales of \$56,064,900,000 reported during the first two quarters of calendar year 2010.

COUNTY OF LOS ANGELES
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

| | <u>Retail Stores</u> | | <u>Total All Outlets</u> | |
|---------------------|----------------------|-------------------------|--------------------------|-------------------------|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 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⁾ | 175,461 | 78,444,115 | 264,928 | 112,744,727 |
| 2010 ⁽¹⁾ | 182,491 | 82,175,416 | 271,293 | 116,942,334 |

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

Median Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax 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), nontax 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, County of Los Angeles, the State and the United States for the period 2007 through 2011.

CITY OF BEVERLY HILLS AND LOS ANGELES COUNTY EFFECTIVE BUYING INCOME 2007 through 2011

| <u>Year</u> | <u>Area</u> | <u>Total Effective Buying Income (000's Omitted)</u> | <u>Median Household Effective Buying Income</u> |
|-------------|-----------------------|--|---|
| 2007 | City of Beverly Hills | \$2,056,055 | \$70,940 |
| | Los Angeles County | 202,646,560 | 43,710 |
| | California | 814,894,437 | 48,203 |
| | United States | 6,300,794,437 | 41,792 |
| 2008 | City of Beverly Hills | \$2,054,952 | \$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 | \$1,852,797 | \$73,626 |
| | Los Angeles County | 207,077,608 | 45,390 |
| | California | 844,823,318 | 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 |
| 2011 | City of Beverly Hills | \$1,727,403 | \$66,983 |
| | Los Angeles County | 197,831,465 | 43,083 |
| | California | 814,578,458 | 47,062 |
| | United States | 6,438,704,664 | 41,253 |

Source: The Nielsen Company (US), Inc.

Building Activity

The table below summarizes building activity in the City and the County from calendar years 2007 through 2011.

CITY OF BEVERLY HILLS Building Permit Activity Dollars in Thousands

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>Permit Valuation</u> | | | | | |
| New Single-family | \$36,824.0 | \$39,604.8 | \$26,715.0 | \$52,804.2 | \$44,333.0 |
| New Multi-family | 18,400.0 | 6,070.0 | 17,100.0 | 0.0 | 4,500.0 |
| Res. Alterations/Additions | <u>62,344.5</u> | <u>32,794.2</u> | <u>15,956.3</u> | <u>28,674.1</u> | <u>41,443.2</u> |
| Total Residential | 117,568.5 | 78,469.0 | 59,771.3 | 81,478.3 | 90,276.2 |
| New Commercial | 25,180.0 | 37,500.0 | 0.0 | 0.0 | 5,760.0 |
| New Industrial | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Other | 19,034.6 | 14,969.0 | 11,762.3 | 5,830.4 | 150.0 |
| Com. Alterations/Additions | <u>44,745.1</u> | <u>54,715.4</u> | <u>26,228.6</u> | <u>27,456.5</u> | <u>47,496.0</u> |
| Total Nonresidential | 88,959.7 | 107,184.4 | 37,990.9 | 33,286.9 | 53,406.0 |
| <u>New Dwelling Units</u> | | | | | |
| Single Family | 32 | 22 | 15 | 28 | 20 |
| Multiple Family | <u>58</u> | <u>7</u> | <u>25</u> | <u>0</u> | <u>28</u> |
| TOTAL | 90 | 29 | 40 | 28 | 48 |

Source: Construction Industry Research Board, Building Permit Summary

COUNTY OF LOS ANGELES Building Permit Activity Dollars in Thousands

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <u>Permit Valuation</u> | | | | | |
| New Single-family | \$2,047,773.3 | \$1,134,121.1 | \$798,305.0 | \$922,092.0 | \$1,026,679.4 |
| New Multi-family | 2,010,560.8 | 1,409,062.3 | 521,793.7 | 810,621.4 | 1,225,553.4 |
| Res. Alterations/Additions | <u>1,898,228.2</u> | <u>1,411,332.6</u> | <u>103,157.9</u> | <u>1,109,768.6</u> | <u>1,431,581.5</u> |
| Total Residential | 5,956,562.3 | 3,954,515.9 | 2,393,256.6 | 2,842,482.0 | 3,683,814.3 |
| New Commercial | 1,858,923.4 | 1,517,965.4 | 513,381.3 | 531,995.6 | 612,800.9 |
| New Industrial | 18,827.3 | 134,587.0 | 40,084.0 | 55,772.9 | 135,976.2 |
| New Other | 766,205.8 | 680,228.1 | 462,139.0 | 436,807.8 | 286,119.7 |
| Com. Alterations/Additions | <u>2,005,199.0</u> | <u>2,157,857.2</u> | <u>1,657,939.6</u> | <u>1,662,362.9</u> | <u>1,774,207.9</u> |
| Total Nonresidential | 4,739,155.4 | 4,490,637.8 | 2,673,543.9 | 2,676,939.1 | 2,809,104.7 |
| <u>New Dwelling Units</u> | | | | | |
| Single Family | 7,509 | 3,539 | 2,131 | 2,439 | 2,338 |
| Multiple Family | <u>12,854</u> | <u>10,165</u> | <u>3,522</u> | <u>5,029</u> | <u>8,052</u> |
| TOTAL | 20,363 | 13,704 | 5,653 | 7,468 | 10,390 |

Source: Construction Industry Research Board, Building Permit Summary

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

APPENDIX C

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2002-A (BUSINESS TRIANGLE) OF THE
CITY OF BEVERLY HILLS**

APPENDIX D

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 (herein, the "Securities") to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities 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 Securities (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the "Agent") takes 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 Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, 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. *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.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

§ _____
COMMUNITY FACILITIES DISTRICT NO. 2002-A
(BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS
2013 SPECIAL TAX REFUNDING BONDS

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Beverly Hills (the "District") in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds are being issued pursuant to Fiscal Agent Agreement, dated as of February 1, 2013, (the "Fiscal Agent Agreement"), by and between the District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"). The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District 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 Fiscal Agent Agreement, 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 District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is eight months after the end of the District's fiscal year (currently March 1 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means Dolinka Group, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District 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.

"*Official Statement*" means the final official statement dated _____, 2013, executed by the District in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg a Division of Stifel Nicolaus, 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 it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 1, 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 District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District 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 District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. The audited financial statements of the District may be included within or constitute a portion of the audited financial statements of the City of Beverly Hills. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the District does not provide, or cause the Dissemination Agent to provide, an Annual Report by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) 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 District, file a report with the District and the Participating Underwriter 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 District's Annual Report shall contain or incorporate by reference the following documents and information:

(a) The City of Beverly Hills's audited financial statements for the most recently completed fiscal year, 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, together with the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE DISTRICT OR THE CITY, OTHER THAN SPECIAL TAX REVENUES, ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE DISTRICT NOR THE CITY IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY

ON THE FINANCIAL CONDITION OF THE DISTRICT OR THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) To the extent not included in the audited financial statements, the following information:

(i) Total assessed value (per the Los Angeles County Assessor's records) of all parcels currently subject to the Special Tax within the District, showing the total assessed valuation for all land and the total assessed valuation for all improvements within the District and distinguishing between the assessed value of improved and unimproved parcels. Parcels are considered improved if there is an assessed value for the improvements in the Assessor's records.

(ii) The total dollar amount of delinquencies, if any, in the District as of August 1 of the prior calendar year and, in the event that the total delinquencies within the District as of August 1 in the prior calendar year exceed 5% of the Special Tax for the previous fiscal year, delinquency information for each parcel responsible for more than \$5,000 in the payment of Special Tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(iii) The amount of prepayments of the Special Tax with respect to the District for the prior Fiscal Year.

(iv) A land ownership summary listing property owners responsible for more than 5% of the annual Special Tax levy, as shown on the Los Angeles County Assessor's last equalized tax roll prior to the September next preceding the Annual Report Date.

(v) The principal amount of the Bonds outstanding and the balance in the Reserve Fund (along with a statement of the Reserve Requirement) as of the September 30 next preceding the Annual Report Date, including the issuance date and principal amount of any additional bonds or obligations issued under the Fiscal Agent Agreement on a parity with the Bonds.

(vi) An updated table in substantially the form of the table in the Official Statement entitled "Table 3, Assessed Values and Value-to-Burden Ratios Allocated by Value-to-Burden Category," based upon the most recent equalized tax roll prior to the September next preceding the Annual Report Date.

(vii) Any changes to the First Amended Rate and Method of Apportionment for the District attached as Appendix C to the Official Statement.

(viii) A copy of the most recent annual information required to be filed by the District with the California Debt and Investment Advisory Commission pursuant to the Act and relating generally to outstanding District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(c) In addition to any of the information expressly required to be provided under paragraph (b) above, the District shall provide such further 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.

(d) 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 District 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 District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The District 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 Bonds, or other material events affecting the tax status of the Bonds.
- (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 District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District, or the sale of all or substantially all of the assets of the District (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 Fiscal Agent or the change of name of the Fiscal Agent, if material.

(b) Upon the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) 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 District 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 District 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. Upon occurrence of any of these Listed Events, the District 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 District 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 District 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 District, 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 District.

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 District'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 District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District 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 Dolinka Group, LLC.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District 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 Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Fiscal Agent 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 District 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 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 District 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 District 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 District 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 District 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 District 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 Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District 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 District, the Property Owner, the Fiscal Agent, the Bond owners or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Fiscal Agent, 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 14. 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: _____, 2013

CITY OF BEVERLY HILLS

By: _____
Jeff Kolin,
City Manager

AGREED AND ACCEPTED:
Dolinka Group, LLC,
as Dissemination Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Beverly Hills
Name of Bond Issue: Community Facilities District No. 2002-A (Business Triangle)
of the City of Beverly Hills
2013 Special Tax Refunding Bonds

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2013 executed by the District and countersigned by Dolinka Group, LLC, as dissemination agent. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

Dolinka Group, LLC

By: _____
Its: _____

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

APPENDIX G
DISTRICT BOUNDARY MAP

APPENDIX H
PARCEL LISTING

FISCAL AGENT AGREEMENT

by and between the

CITY OF BEVERLY HILLS

and

**U.S. BANK NATIONAL ASSOCIATION
as Fiscal Agent**

Dated as of February 1, 2013

Relating to:

**\$ _____
Community Facilities District No. 2002-A
(Business Triangle)
of the City of Beverly Hills
2013 Special Tax Refunding Bonds**

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is made, entered into and dated as of February 1, 2013, by and between the CITY OF BEVERLY HILLS, a general law city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") for and on behalf of the Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills (the "CFD"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "Fiscal Agent").

WITNESSETH:

WHEREAS, the City has formed the CFD under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 *et seq.* of the California Government Code) (the "Act"); and

WHEREAS, the City Council of the City (the "City Council"), acting as the legislative body of the CFD, is authorized under the Act to levy special taxes to pay for the costs of facilities within the CFD and to authorize the issuance of bonds secured by those special taxes under the Act.

WHEREAS, under the Act, the City, on behalf of the CFD, previously issued its special tax bonds captioned "Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills Special Tax Bonds, Series 2002" in the aggregate original principal amount of \$16,215,000 (the "Prior Bonds") under a Fiscal Agent Agreement dated as of December 1, 2002 (the "2002 Fiscal Agent Agreement"), between the City and the Fiscal Agent, then known as U.S. Bank, N.A., as fiscal agent.

WHEREAS, the proceeds of the Prior Bonds were used to finance the acquisition and construction of certain public capital improvement authorized to be financed by the CFD under the proceedings pursuant to which the CFD was formed.

WHEREAS, the City wishes to refinance the outstanding principal amount of the Prior Bonds, and for this purpose, proposes to issue its Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills 2013 Special Tax Refunding Bonds (the "Bonds").

WHEREAS, on _____, 2013, the City Council adopted a resolution (the "Resolution of Issuance") authorizing the issuance of the Bonds on behalf of the CFD.

WHEREAS, it is in the public interest and for the benefit of the City, the CFD and the persons responsible for the payment of special taxes that the City enter into this Agreement to provide for the issuance of the Bonds hereunder to refinance the Prior Bonds and to provide for the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and the administration and payment of the Bonds.

WHEREAS, the City has determined that all things necessary to cause the Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution of Issuance

and this Agreement, to be legal, valid, binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the Act (as herein defined) and the Resolution of Issuance.

Section 1.02. Agreement for Benefit of Owners of the Bonds. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 *et seq.* of the California Government Code.

"Administrative Expenses" means costs directly related to the administration of the CFD consisting of: the actual costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Special Taxes (whether by the County or otherwise); the actual costs of remitting the Special Taxes to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; the actual costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

"Administrative Expense Deposit" means, for Fiscal Year 2012-13, \$36,569.83, and thereafter shall escalate by 2% each Fiscal Year.

"Administrative Expense Fund" means the fund established and administered under Section 4.06.

"Agreement" means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

"Auditor" means the auditor/controller of the County, or such other official at the County who is responsible for preparing property tax bills.

"Authorized Officer" means the City Manager, Director of Administrative Services and Chief Financial Officer, or any other officer or employee authorized by the City Council or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond or Bonds" means the special tax refunding bonds captions "Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills 2013 Special Tax Refunding Bonds" authorized to be issued hereunder in the principal amount of \$_____.

"Bond Fund" means the fund established and administered under Section 4.04.

"Bond Year" means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2013.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the Office of the State Treasurer, or any successor agency, board or commission.

"CFD" means the Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills formed under the Resolution of Formation.

"City" means the City of Beverly Hills.

"City Attorney" means any attorney or firm of attorneys employed by the City in the capacity of City attorney.

"City Council" means the City Council of the City, as its legislative body and as legislative body of the CFD.

“Closing Date” means _____, 2013, the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the Bonds, which shall include, without limitation: printing costs; costs of reproducing and binding documents; charges for execution, authentication, transportation and safekeeping of the Bonds; closing costs; filing and recording fees; fees and expenses of bond counsel, disclosure counsel, the City Attorney, and any other counsel engaged by the City in connection with the issuance of the Bonds; fees and expenses of any special tax consultant, district administrator, financial advisor, market or absorption consultant, appraiser, or any other consultant engaged by the City in connection with the issuance of the Bonds; fees and expenses of the Escrow Agent (including its legal fees and charges); initial fees and charges of the Fiscal Agent, including its first annual administration fees and its legal fees and charges (including the allocated costs of in-house attorneys); underwriter’s discount or compensation; fees of rating agencies; and any other expenses incurred by the City in connection with the issuance of the Bonds.

“Costs of Issuance Fund” means the fund established and administered under Section 4.02.

“County” means the County of Los Angeles, California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds under Sections 2.02 and 2.03 during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository for book-entry under Section 2.10.

“Director of Administrative Services” means the City Director of Administrative Services and Chief Financial Officer, or such official’s designee, who acts in the capacity as the chief financial officer of the City.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Agent” means U.S. Bank National Association.

“Escrow Fund” means the fund established and administered under Section 4.07 and the Irrevocable Refunding Instructions.

“Fair Market Value” means with respect to the Bonds the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section

1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Agent" means U.S. Bank National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Independent Financial Consultant" means any consultant or firm of consultants appointed by the City and who, or each of whom: (i) is judged by the Director of Administrative Services to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the CFD, or any real property in the CFD; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

"Interest Payment Date" means each March 1 and September 1 of every calendar year, commencing with September 1, 2013.

"Irrevocable Refunding Instructions" means the Irrevocable Refunding Instructions dated as of February 1, 2013, given by the City to the Escrow Agent.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Moody's" means Moody's Investors Service, Inc., and its successors.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance or resolution of the City Council levying the Special Taxes, including without limitation Ordinance No. 2993 adopted by the City Council on February 19, 2002.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, the first purchaser of the Bonds from the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who is the registered owner of any Outstanding Bond.

“Participating Underwriter” has the meaning given in the Continuing Disclosure Certificate.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value:

- (a) Federal Securities.
- (b) any of the following direct or indirect obligations of the following agencies of the United States of America:
 - (i) direct obligations of the Export-Import Bank;
 - (ii) certificates of beneficial ownership issued by the Farmers Home Administration;
 - (iii) participation certificates issued by the General Services Administration;
 - (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration;
 - (v) project notes issued by the United States Department of Housing and Urban Development; and
 - (vi) public housing notes and bonds guaranteed by the United States of America;
- (c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or

savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency; and

(h) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A.

(i) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement.

(j) the California Asset Management Program.

"Principal Office" means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, initially being at the address set forth in Section 9.06, or such other office designated by the Fiscal Agent from time to time; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

"Prior Bonds" means the bonds captioned "\$16,215,000 Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills Special Tax Bonds, Series 2002."

"Prior Bonds Fiscal Agent" means U.S. Bank National Association, also known as U.S. Bank, N.A.

"Prior Bonds Fiscal Agent Agreement" means that Fiscal Agent Agreement, dated as of December 1, 2002, between the City and the Prior Bonds Fiscal Agent.

"Rate and Method" means the Rate and Method of Apportionment of the Special Taxes for the CFD approved under the Resolution of Formation.

"Record Date" means the 15th day of the month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

"Refunding Bonds" means bonds issued by the City for the CFD, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the net interest cost to maturity of the Refunding Bonds is less than the net interest cost to maturity of the Bonds being refunded and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

"Regulations" means temporary and permanent regulations promulgated under the Tax Code.

"Reserve Fund" means the fund established and administered under Section 4.03.

"Reserve Requirement" means, as of the date of any calculation, an amount equal to [_____] [the least of (i) Maximum Annual Debt Service on the Outstanding Bonds, (ii) 125% of average Annual Debt Service on the Outstanding Bonds and (iii) 10% of the original principal amount of the Bonds].

"Resolution of Formation" means Resolution No. 02-R-11127 adopted by the City Council on July 18, 2002, forming the CFD.

"Resolution of Intention" means Resolution No. 02-R-11080, adopted by the City Council on June 18, 2002, indicating the intention of the City to form the CFD.

"Resolution of Issuance" means Resolution No. _____ adopted by the City Council on _____, 2013, authorizing the issuance of the Bonds.

"S&P" means Standard & Poor's Ratings Service, a division of McGraw-Hill, and its successors and assigns.

"Securities Depositories" means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Special Tax Fund" means the fund established and administered under Section 4.05.

"Special Tax Prepayments" means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment.

"Special Tax Prepayments Account" means the account by that name established within the Bond Fund by Section 4.04(A) hereof.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

"Special Taxes" means the special taxes levied within the CFD under the Act, the Ordinance and this Agreement.

"State" means the State of California.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

"Term Bonds" means the Bonds maturing on September 1, 20____, and September 1, 20____.

ARTICLE II

THE BONDS

Section 2.01. Principal Amount; Designation. The Bonds in the aggregate initial principal amount of \$_____ are hereby authorized to be issued by the City for the CFD under and subject to the terms of the Act, the Resolution of Issuance, this Agreement and other applicable laws of the State of California. The Bonds shall be designated as the "Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills 2013 Special Tax Refunding Bonds."

Section 2.02. Terms of the Bonds.

(A) Form; Denominations. The Bonds shall be issued as fully registered Bonds without coupons. The Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent. The Bonds shall be issued in the denominations of \$5,000 or any integral multiple of \$5,000.

(B) Date of Bonds. The Bonds shall be dated the Closing Date.

(C) CUSIP Identification Numbers. "CUSIP" identification numbers may, at the election of the Original Purchaser of the Bonds, be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(D) **Maturities; Interest Rates.** The Bonds shall mature and become payable on each September 1, and shall bear interest at the rates per annum indicated in the below table.

| <u>Maturity Date</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> |
|--|---|--|
|--|---|--|

* Term Bond.

(E) **Interest.** The Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless

(i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or

(iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date;

provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) **Method of Payment.** Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior

to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

Section 2.03. Redemption.

(A) Redemption Provisions.

(i) **Optional Redemption.** The Bonds maturing on September 1, 20__ and thereafter are subject to redemption prior to their stated maturities, on any Interest Payment Date on and after September 1, 20__, in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

(ii) **Redemption from Special Tax Prepayments.** Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to Section 4.03(F) shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D), among maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|--|-------------------------|
| Any Interest Payment Date through March 1, 20__ | 103% |
| September 1, 20__ and any Interest Payment Date thereafter | 100 |

(iii) **Mandatory Sinking Fund Redemption.** The Term Bonds are also subject to redemption, in part by lot, on September 1 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to Section 4.04, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table. However, if some but not all of the Term Bonds of a given maturity have been redeemed pursuant to subsections (i) or (ii) above, the total amount of all future sinking fund payments relating to such maturity of such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds of such maturity so redeemed, to be allocated among such payments on a pro-rata basis in integral multiples of \$5,000 as determined by the City (written notice of which determination shall be given by the City to the Fiscal Agent).

Term Bonds Maturing September 1, 20__

Sinking Fund
Redemption Date
(September 1)

Principal
Amount To Be
Redeemed

(Maturity)

Term Bonds Maturing September 1, 20__

Sinking Fund
Redemption Date
(September 1)

Principal
Amount To Be
Redeemed

(Maturity)

(B) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under subsection (A)(i) and (A)(ii) not less than 45 days prior to the applicable redemption date or such lesser number of days as may be acceptable to the Fiscal Agent in the sole determination of the Fiscal Agent.

(C) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 2.03(A), moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with this Agreement. Any Bonds purchased pursuant to this Section 2.03(C) shall be treated as outstanding Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Director of Administrative Services.

(D) Redemption Procedure by Fiscal Agent.

(i) **Notices.** The Fiscal Agent shall mail notice of redemption of the 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 Bonds designated for redemption at their addresses appearing on the Registration Books, and the Securities Depositories. In addition, the Fiscal Agent shall mail a copy of the notice of redemption to the Securities Depositories, shall electronically file a copy of the notice of redemption with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system, or such other services providing information with respect to called bonds in accordance with then-current guidelines of the Securities and Exchange

Commission, and shall file the notice of redemption with any other such services the City may designate in writing to the Fiscal Agent. Notwithstanding the foregoing, the mailing or filing of any redemption notice shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

(ii) **Conditional Redemption Notice and Rescission of Redemption.** Any notice of redemption under Section 2.03(A)(i) or (A)(ii) may specify that redemption on the specified date will be subject to receipt by the City of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the City nor the Fiscal Agent will have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys. The City will have the right to rescind any such redemption by written notice to the Fiscal Agent on or prior to the date fixed for redemption.

Any notice of redemption under Section 2.03(A)(i) or (A)(ii) will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute a default under this Agreement.

The Fiscal Agent will mail notice of rescission of redemption in the same manner that notice of redemption was originally provided.

(iii) **Contents of Notices.** Each notice of redemption shall state:

(a) the date of the notice,

(b) the redemption date,

(c) the place or places of redemption,

(d) whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed,

(e) the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed,

(f) in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and

(g) if so directed by the City, that redemption on the specified date will be subject to receipt by the City of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys).

Each such notice shall also state that on the redemption date there will become due and payable the redemption price of each Bond called for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered to the Fiscal Agent. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Fiscal Agent, at the expense of the City, for and on behalf of the City.

(iv) **Selection of Bonds for Redemption.** Whenever provision is made in this Fiscal Agent Agreement for the redemption of less than all of the Bonds, the City shall direct the Fiscal Agent regarding the Bonds to be redeemed, and if not so directed, the Fiscal Agent shall select the Bonds to be redeemed pro rata among maturities and by lot within a single maturity, and in the case of mandatory sinking fund redemption pursuant to Section 2.03(A)(iii) above, by lot within the maturity being called for redemption.

(v) **New Bonds Following Partial Redemption.** Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds of such registered Owner.

(E) **Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in the notice of redemption. All Bonds redeemed and purchased by the Fiscal Agent under this Section 2.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 2.04. Form of Bonds. The Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution of Issuance and the Act.

Section 2.05. Execution and Authentication of Bonds.

(A) **Execution.** The Bonds shall be executed on behalf of the City by the manual or facsimile signatures of its Mayor and its Clerk who are in office on the date of execution of this Agreement or at any time thereafter, and the seal of the City shall be impressed, imprinted or reproduced by facsimile thereon.

If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond are the proper officers of the City although at the nominal date of such Bond any such person may not have been such officer of the City.

(B) **Authentication.** Only such Bonds as bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be

valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under Section 2.07 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent.

Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity.

The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange.

Whenever any Bond or Bonds is surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount.

No transfers or exchanges of Bonds shall be required to be made (i) 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.07. Bond Register. The Fiscal Agent will keep, or cause to be kept, at its Principal Office, sufficient books for the registration and transfer of the Bonds, which shall show the series number, date, amount, rate of interest and registered owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds.

If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange

for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent designates, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.

(A) Mutilated. If any Bond becomes mutilated, at the expense of the Owner of such Bond, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, in accordance with the Fiscal Agent's retention policy then in effect.

(B) Destroyed or Stolen. If any Bond is lost, destroyed or stolen, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen, at the expense of the Owner, but only following provision by the Owner to the Fiscal Agent of indemnity for the City and the Fiscal Agent satisfactory to the Fiscal Agent. The City may require payment of a sum not exceeding the actual cost of preparing each a replacement Bond delivered under this Section and the City and the Fiscal Agent may require payment of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery thereof.

Any Bond delivered hereunder in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued under this Agreement.

Section 2.10. Book-Entry Only System. DTC shall act as the initial Depository for the Bonds. One Bond for each maturity of the Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond register kept by the Fiscal Agent for the Bonds in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The Authorized Officers of the City and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

With respect to Bonds registered in the Bond register in the name of Cede & Co., as nominee of DTC, neither the City nor the Fiscal Agent shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, neither the City nor the Fiscal Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any

DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any Bonds to be redeemed in the event the City elects to redeem the Bonds, in part, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeem the Bonds in part, (iv) the payments to any DTC Participant, any Beneficial Owner, or any person, other than DTC, of any amount with respect to the principal of or interest or premium on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

Except as set forth above, the City and the Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond, for which DTC is acting as Depository for the purpose of payment of the principal of and premium and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal Agent on behalf of the City shall pay all principal of and premium and interest on the Bonds only to or upon the order of the Owners as shown on the Bond register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and premium and interest on the Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond register, shall receive a physical Bond. Upon delivery by DTC to the City and the Fiscal Agent of written notice to the effect the DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.10 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the City and to the Fiscal Agent during any time that the Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The City may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfer through DTC is not in the best interest of the Beneficial Owners, and the City shall mail notice of such termination to the Fiscal Agent.

Upon termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing to undertake such functions upon reasonable or customary terms, or if the City determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certified Bonds, the Bonds shall no longer be restricted to being registered in the Bond register of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners designate at that time, in accordance with Section 2.06.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.06, the Bonds will be delivered to such Beneficial Owners.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of Bonds. At any time after the execution of this Agreement, the City may issue the Bonds for the CFD in the aggregate principal amount set forth in Section 2.01 and deliver the Bonds to the Fiscal Agent for authentication and delivery to the Original Purchaser. The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution of Issuance and this Agreement, to authorize the payment of Costs of Issuance, to authorize the deposit of moneys into the Escrow Fund for the purpose of defeasing and refunding the Prior Bonds, and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the Bonds to the Original Purchaser.

The Fiscal Agent is hereby authorized and directed to authenticate the Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the Bonds.

Section 3.02. Pledge of Special Tax Revenues. The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of and lien on all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account) and the Reserve Fund, and, until disbursed as provided herein, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

Amounts in the Costs of Issuance Fund and the Administrative Expense Fund are not pledged to the repayment of the Bonds.

Section 3.03. Limited Obligation. All obligations of the City under this Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefore hereunder. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth herein) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 3.04. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Bonds under Section 2.03, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03.

ARTICLE IV

PROCEEDS, FUNDS AND ACCOUNTS

Section 4.01. Application of Bond Proceeds and Moneys Relating to the Prior Bonds.

(A) **Proceeds of the Bonds.** The net proceeds of the Bonds received from the Original Purchaser in the amount of \$_____ (calculated as the initial principal amount of the bonds of \$_____, plus net original issue premium of \$_____, less an underwriter's discount of \$_____) shall be paid to the Fiscal Agent, which shall deposit the proceeds on the Closing Date as follows:

- (i) deposit \$_____ into the Costs of Issuance Fund;
- (ii) deposit \$_____ into the Reserve Fund equaling the initial Reserve Requirement; and
- (iii) transfer \$_____ to the Escrow Agent for deposit into the Escrow Fund.

The Fiscal Agent may, in its discretion, establish a temporary fund or account to facilitate the foregoing deposits and transfer.

(B) **Moneys Relating to the Prior Bonds.** In addition to the foregoing deposits of Bond proceeds, the Director of Administrative Services and the Fiscal Agent shall cause the amounts held in the funds with respect to the Prior Bonds to be transferred and deposited to the Escrow Fund in accordance with and as set forth in the Irrevocable Refunding Instructions. In addition, the City shall transfer a portion of the amounts on deposit in the surplus fund established under the 2002 Fiscal Agent Agreement to the Fiscal Agent for deposit in the Surplus Fund under Section 4.09 hereof, in the amount set forth in the Irrevocable Refunding Instructions.

Section 4.02. Costs of Issuance Fund.

(A) **Establishment of Costs of Issuance Fund.** The Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which a deposit shall be made as required by Section 4.01. Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) **Disbursement.** Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition substantially in the form of Exhibit B hereto, executed by the Director of Administrative Services, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) **Investment.** Moneys in the Costs of Issuance Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

(D) **Closing of Fund.** The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal Agent shall transfer any moneys remaining therein, including any investment earnings thereon, to the Bond Fund to pay interest on the Bonds on the next Interest Payment Date and the Costs of Issuance Fund shall be closed.

Section 4.03. Reserve Fund.

(A) **Establishment of Fund.** The Reserve Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by Section 4.01, which deposit, as of the Closing Date, is equal to the initial Reserve Requirement with respect to the Bonds. Thereafter, deposits may be made to the Reserve Fund from time to time as provided in Section 4.05(B). Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

(B) **Use of Reserve Fund.** Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming Bonds from the Bond Fund. Whenever a transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Director of Administrative Services specifying the amount withdrawn.

(C) **Transfer of Excess of Reserve Requirement.** Whenever, on or before any Interest Payment Date, or on any other date at the request of the Director of Administrative Services the amount in the Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent shall provide written notice to the Director of Administrative Services of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund, to be used to pay interest on the Bonds on the next Interest Payment Date.

(D) **Transfer for Rebate Purposes.** Amounts in the Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with Section 5.11, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however,* that no amounts in the Reserve Fund shall be used for rebate unless the amount in the Reserve Fund following such withdrawal equals the Reserve Requirement.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Director of Administrative Services, transfer any cash or Permitted Investments in the Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with Section 4.04 or 2.03, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City to be used by the City for any lawful purpose under the Act.

Notwithstanding the provisions of the first paragraph of this Section 4.03(E), no amounts shall be transferred from the Reserve Fund under this Section 4.03(E) until after: (i) the calculation of any amounts due to the federal government under Section 5.11 and withdrawal of any such amount under Section 4.03(D) for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

(F) Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to Section 2.03(A)(ii), a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original principal of the Bonds, but in any event not in excess of the amount that will leave the balance in the Reserve Fund following the proposed redemption equal to the Reserve Requirement) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds pursuant to Section 2.03(A)(ii). The Director of Administrative Services shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

(G) Investment. Moneys in the Reserve Fund shall be invested under Section 6.01.

Section 4.04. Bond Fund.

(A) Establishment of Bond Fund. The Bond Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by Section 4.01 and Section 4.03 and as otherwise set forth in this Agreement and, to the extent applicable, by the Irrevocable Refunding Instructions. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

There is also hereby created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the "Special Tax Prepayments Account," to the credit of which deposits shall be made as provided in clause (iii) of the second paragraph of Section 4.05(A).

(B) Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Director of Administrative Services in

writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, or any redemption of the Bonds under Section 2.03). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. If amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Director of Administrative Services by telephone (and confirm in writing) of the amount of the insufficiency.

If amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall withdraw from the Reserve Fund, in accordance with the provisions of Section 4.03, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the second sentence of the first paragraph of this Section 4.04(B), the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments.

(C) Disbursements from the Special Tax Prepayments Account. Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under Section 2.03(A)(ii) and shall be used (together with any amounts transferred pursuant to Section 4.03(F)) to redeem Bonds on the redemption date selected in accordance with Section 2.03.

(D) Investment. Moneys in the Bond Fund and the Special Tax Prepayments Account shall be invested under Section 6.01. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

(E) Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Director of Administrative Services such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

(F) Excess. Any excess moneys remaining in the Bond Fund, following the payment of Debt Service on the Bonds on any September 1, shall be transferred to the Special Tax Fund.

Section 4.05. Special Tax Fund.

(A) Establishment of Special Tax Fund. The Special Tax Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent shall deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City shall promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

(i) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Director of Administrative Services and shall be used by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due Debt Service on the Bonds; second, for transfer to the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then-current Reserve Requirement; and third, to be held in the Special Tax Fund for use as described in Section 4.05(B) below; and

(ii) any proceeds of Special Tax Prepayments shall be separately identified by the Director of Administrative Services and shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to Section 4.04(A).

(B) Disbursements. On the fifth Business Day before each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) the amount or portion thereof, not exceeding the Administrative Expense Deposit each Fiscal Year, which an Authorized Officer directs the Fiscal Agent in writing to deposit in the Administrative Expense Fund which, when added to the deposit therein, is sufficient to pay (A) Administrative Expenses which the City reasonably expects will become due and payable during such Fiscal Year, and (B) any Administrative Expenses that have previously been incurred and paid by the City from funds other than the Administrative Expense Fund;

(ii) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund, and any expected transfers from the Reserve Fund and the Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid;

(iii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement; and

(iv) to the Administrative Expense Fund the amount of Administrative Expenses in excess of the amount previously transferred thereto pursuant to (i) above, as and to the extent directed in writing by an Authorized Officer.

After making the foregoing transfers, as soon as practicable after each September 1, and in any event prior to each October 1, the Fiscal Agent shall (a) transfer from the Special Tax Fund to the Surplus Fund the amount, if any, needed to bring the amount on deposit in the Surplus Fund to \$100,000, and then (b) retain in the Special Tax Fund any remaining amounts therein, to be applied for the purposes of the Special Tax Fund, and to be included as being available in calculating the amount of the levy of Special Taxes for the subsequent Fiscal Year.

(C) Investment. Moneys in the Special Tax Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Section 4.06. Administrative Expense Fund.

(A) Establishment of Administrative Expense Fund. The Administrative Expense Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as required by Section 4.05(B). Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, in substantially the form of Exhibit C hereto, stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance and the nature of such Administrative Expense or such Cost of Issuance. Amounts deposited to the Administrative Expense Fund pursuant to Section 4.01(B) shall be expended for purposes of the Administrative Expense Fund prior to the use of amounts transferred to the Administrative Expense Fund from the Special Tax Fund pursuant to Section 4.05(B).

Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw from the Administrative Expense Fund and transfer to the Special Tax Fund any amount in excess of that which is needed to pay any Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, as identified by the Director of Administrative Services in an Officer's Certificate.

(C) Investment. Moneys in the Administrative Expense Fund shall be invested by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the Administrative Expense Fund to be used for the purposes of such fund.

Section 4.07. Escrow Fund. On the Closing Date, the Escrow Fund shall be established in order to assure the timely and advance retirement of the Prior Bonds pursuant to the Irrevocable Refunding Instructions, using a portion of the proceeds of the sale of the Bonds and other funds held with respect to the Prior Bonds, as provided in the Irrevocable Refunding

Instructions, and investment earnings thereon. The Escrow Fund shall be administered in accordance with the Irrevocable Refunding Instructions.

Section 4.08. Reserved.

Section 4.09. Surplus Fund.

(A) Establishment. The Surplus Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as required by Section 4.01(B) and Section 4.05(B). Moneys in the Surplus Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

The amounts in the Surplus Fund are pledged to the repayment of the Bonds.

(B) Disbursement. The Fiscal Agent shall transfer moneys on deposit in the Surplus Fund, at the direction of an Authorized Representative of the City, for any of the following purposes: (i) to the Bond Fund to pay the principal of, including sinking fund payments, premium, if any, and interest on the Bonds when due if moneys in the Special Tax Fund and the Reserve Fund are insufficient therefor; (ii) to the Reserve Fund in order to replenish the Reserve Fund to the Reserve Requirement; or (iii) to the Administrative Expense Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Fund are insufficient to pay Administrative Expenses.

If at any time the amount on deposit in the Surplus Fund exceeds \$100,000, the Fiscal Agent shall transfer any amounts in excess of \$100,000 to the Special Tax Fund.

(C) Investment. Moneys in the Surplus Fund shall be invested by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the Surplus Fund to be used for the purposes of such fund.

If the City reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds, the City will notify the Fiscal Agent in a Certificate of an Authorized Representative and the Fiscal Agent will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written direction of the City in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds which were issued on a tax-exempt basis for federal income tax purposes.

ARTICLE V

COVENANTS

Section 5.01. Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

(A) Processing. On or within 5 Business Days of each June 1, the Fiscal Agent shall provide the Director of Administrative Services with a notice stating the amount then on deposit in the Bond Fund, the Reserve Fund, the Special Tax Fund and the Surplus Fund, and the City shall determine the Special Taxes that need to be levied under the Ordinance as necessary to provide for Annual Debt Service and Administrative Expenses and replenishment (if necessary) of the Reserve Fund so that the balance therein equal the Reserve Requirement. The receipt of or failure to receive such notice by the Director of Administrative Services shall in no way affect the obligations of the Director of Administrative Services under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Director of Administrative Services. Upon receipt of such notice, the Director of Administrative Services shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

(B) Levy. The Director of Administrative Services shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Director of Administrative Services shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

(C) Computation. The Director of Administrative Services shall fix and levy the amount of Special Taxes within the CFD required for the payment of principal of and interest on any outstanding Bonds of the CFD becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, taking into account the balances in the applicable funds established under this Agreement and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

(D) Collection. Except as set forth in the Ordinance, Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts

and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Section 5.02. Covenant to Foreclose. The City hereby covenants for the benefit of the Owners of the Bonds that it

(i) will commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than \$10,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due,

(ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year, and

(iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid. The District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Fund at the Reserve Requirement.

The Director of Administrative Services and the City Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Section 5.03. Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner.

If any such claim for interest is extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which have not been so extended or funded.

Section 5.05. Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, or their Owners, except as permitted by this Agreement.

Section 5.06. Books and Records.

(A) City. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

(B) Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

Section 5.07. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.08. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.09. Private Activity Bond Limitations. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Code.

Section 5.10. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

Section 5.11. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds. The Director of Administrative Services shall take note of any investment of monies hereunder in excess of the yield on the Bonds, and shall take such actions as are necessary to ensure compliance with this Section 5.11, such as increasing the portion of the Special Tax levy for Administration Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under this Section. If necessary to satisfy its obligations under this Section 5.11, the City may use:

- (A)** Earnings on the Reserve Fund if the amount on deposit in the Reserve Fund, following the proposed transfer, is equal to the Reserve Requirement;

- (B) Amounts on deposit in the Administrative Expense Fund; and
- (C) Any other funds available to the CFD, including amounts advanced by the City, in its sole discretion, to be repaid by the CFD as soon as practicable from amounts described in the preceding clauses (A) and (B).

Section 5.12. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

Section 5.13. Yield of the Bonds. In determining the yield of the Bonds to comply with Sections 5.11 and 5.12, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the Bonds, without regard to whether or not prepayments are received or Bonds redeemed.

Section 5.14. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Bonds.

Section 5.15. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default for the purposes of this Agreement. However, any Owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 5.16. Limits on Special Tax Waivers and Bond Tenders. The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

Section 5.17. City Bid at Foreclosure Sale. The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the City and that the Special Taxes levied on the property are payable while the City owns the property.

Section 5.18. No Issuance of Future Bonds. The City shall not issue any additional bonds or other indebtedness payable from the Special Tax Revenues (other than Refunding Bonds).

Section 5.19. Amendment of Rate and Method. The City shall not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the

security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

ARTICLE VI

INVESTMENTS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds.

(A) Funds Held by the Fiscal Agent. Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments.

In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in paragraph (g) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out hereunder to the extent reasonably practicable, and if such investments can not be made shall hold such funds uninvested.

The Director of Administrative Services shall make note of any investment of funds hereunder in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with Section 5.11.

(B) Funds Held by the City. Moneys in any fund or account created or established by this Agreement and held by the Director of Administrative Services shall be invested in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

(C) Actions of Officials. The Fiscal Agent and its affiliates or the Director of Administrative Services may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Director of Administrative Services shall incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.

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

meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

(E) Commingled Money. Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Director of Administrative Services hereunder, provided that the Fiscal Agent or the Director of Administrative Services, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

(F) Confirmations Waiver. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Fiscal Agent hereunder.

(G) Sale of Investments. The Fiscal Agent or the Director of Administrative Services, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Director of Administrative Services shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

Section 6.02. Liability of City.

(A) General. The City shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(B) Reliance. In the absence of bad faith, the City, including the Director of Administrative Services, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City by the Fiscal Agent or an Independent Financial Consultant and conforming to the requirements of this Agreement. The City, including the Director of Administrative Services, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts. The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full

and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(C) No General Liability. No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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

Section 6.03. Employment of Agents by City. In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII
THE FISCAL AGENT

Section 7.01. The Fiscal Agent.

(A) Appointment. The Fiscal Agent is hereby appointed as the fiscal, authentication, paying and transfer agent hereunder for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Fiscal Agent.

(B) Merger. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section 7.01 shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Fiscal Agent shall give the Director of Administrative Services written notice of any such succession hereunder.

(C) Removal. Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$_____, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(D) Resignation. The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

(E) No Successor. If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.01 within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

(F) Court Order. If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Director of Administrative Services in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Director of Administrative Services in such case shall be vested with all of the

rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 7.02. Liability of Fiscal Agent.

(A) General. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

(B) Reliance. The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, written instructions or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates, documents, written instructions or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, facsimile transmission, electronic mail, or other paper or document which it shall reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

(C) No Duty to Inquire. The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements

of the City or the CFD herein or of any of the documents executed by the City or the CFD in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(D) Errors in Judgment. The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(E) No Expenditures. No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(F) No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners under this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(G) Owner of Bonds. The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

Section 7.03. Information; Books and Accounts. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including but not limited to monthly statements reporting funds held and transactions by the Fiscal Agent, including the value of any investments held by the Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the Special Tax Fund, the Reserve Fund, the Administrative Expense Fund and the Cost of Issuance Fund. Such books of record and accounts shall, upon reasonable notice, during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, written instructions, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in accordance therewith.

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

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by an Officer's Certificate of the City, and

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

Section 7.05. Compensation, Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys (including the allocated costs of in-house attorneys), agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless from and against any liabilities, costs, claims or expenses, including fees and expenses of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement, and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the City arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund.

ARTICLE VIII
MODIFICATION OR AMENDMENT

Section 8.01. Amendments Permitted.

(A) With Consent. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04.

No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof.

(B) Without Consent. This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City herein, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect including, but not limited to, amending the Rate and Method, so long as the amendment does not result in coverage less than that set forth in Section 5.19;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds.

(C) Fiscal Agent's Consent. Any amendment of this Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Section 8.01 and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time execute a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01(A), to take effect when and as provided in this Section 8.03. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City), to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section 8.03 provided.

Such Supplemental Agreement shall not become effective unless there is filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice has been mailed as hereinafter in this Section 8.03 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section 8.03 provided for has been mailed.

After the Owners of the required percentage of Bonds have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section 8.03 for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 8.03 (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request of the Fiscal Agent, the City shall specify in a certificate to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective under this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the City, the Fiscal Agent and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor and Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. If the City pays and discharges the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the Reserve Fund hereof, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and/or Federal Securities in such amount as the City determines, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as in this Agreement provided or provision satisfactory to the Fiscal Agent has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to Section 7.05, and (iii) the obligation of the City to

assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act and the Resolution of Formation.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration, consent or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, consent or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent under Section 2.07.

Any request, declaration, consent or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City of Beverly Hills
455 North Rexford Drive
Beverly Hills, CA 90210
Fax: 310-285-2441
Attention: Director of Administrative Services

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a

post office letter box addressed (until another address is filed by the Fiscal Agent with the City) as follows:

U.S. Bank National Association
Global Corporate Trust Services
Attn: Beverly Hills CFD No. 2002-A (Business Triangle) STBs 2013
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Fax: 213-615-6199

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The City hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the City as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of the principal of, and interest and any premium on, such Bonds. Any right of any Owner to look to the City for such payment shall survive only so long as required under applicable law.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued under this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds, or the date fixed for redemption of any Bonds, or the date any action is to be taken under this Agreement, is other than a Business Day, the payment of interest or principal (and premium, if any) or the action shall be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 9.13. State Reporting Requirements. In addition to Section 5.15, the following requirements shall apply to the Bonds:

(A) Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Director of Administrative Services shall cause the following information to be supplied to CDIAC: (i) the principal amount of the Bonds Outstanding; (ii) the balance in the Reserve Fund and any amounts of capitalized interest in the Bond Fund; (iii) the number of parcels in the CFD which are delinquent in the payment of Special Taxes, the amount of each delinquency, the length of time delinquent and when foreclosure was commenced for each delinquent parcel; (iv) the balance in the Refunding Fund; and (v) the assessed value of all parcels in the CFD subject to the levy of the Special Taxes as shown in most recent equalized roll. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds, the Fiscal Agent shall notify the Director of Administrative Services of such failure or withdrawal in writing. The Director of Administrative Services shall notify CDIAC and the Original Purchasers of such failure or withdrawal within 10 days of such failure or withdrawal.

(C) Special Tax Reporting. The Director of Administrative Services shall file a report with the City no later than January 1, 2014, and at least once a year thereafter, which shall contain: (i) the amount of Special Taxes collected and expended with respect to the CFD, and (ii) the amount of Bond proceeds collected and expended with respect to the CFD.

It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected by the City will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

(D) Amendment. The reporting requirements of this Section 9.13 shall be amended from time to time, without action by the City or the Fiscal Agent (i) with respect to subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, and (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code.

Notwithstanding the foregoing, any such amendment shall not, in itself, affect the City's obligations under the Continuing Disclosure Certificate. The City shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under this Agreement.

(E) No Liability. None of the City and its officers, agents and employees, the Director of Administrative Services or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.13.

Section 9.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Agreement to be executed as of the date first written above.

CITY OF BEVERLY HILLS,
for and on behalf of
COMMUNITY FACILITIES DISTRICT NO. 2002-A
(BUSINESS TRIANGLE)

By: _____
Director of Administrative Services
and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

COMMUNITY FACILITIES DISTRICT NO. 2002-A
(BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS
2013 Special Tax Refunding Bonds

INTEREST RATE

MATURITY DATE

DATED DATE

_____ %

September 1, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City of Beverly Hills (the "City") for and on behalf of the Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills (the "CFD"), for value received, hereby promises to pay solely from Special Tax Revenues (as hereinafter defined) to be collected in the CFD or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to August 15, 2013, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing September 1, 2013 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by

wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$ _____ approved by resolution of the City Council of the City on _____, 2013 (the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose refinancing the outstanding special tax bond captioned "Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills Special Tax Bonds, Series 2002 (the "Prior Bonds"), and is one of the series of bonds designated "Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills 2013 Special Tax Refunding Bonds" (the "Bonds").

The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of February 1, 2013 (the "Agreement"), between the City and U.S. Bank National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution of Issuance and the Agreement, the principal of and interest on this Bond are payable solely from "Special Tax Revenues," as defined in the Agreement, which consist primarily of the proceeds of the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax"), and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on September 1, 20__ and thereafter are subject to redemption prior to their stated maturities, on any Interest Payment Date on and after September 1, 20__, in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to Section 4.03(F) of the Fiscal Agent Agreement shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| | |
|--|-------------------------|
| <u>Redemption Date</u> | <u>Redemption Price</u> |
| Any Interest Payment Date through March 1, 20__ | ___% |
| September 1, 20__ and any Interest Payment Date thereafter | ___ |

The Bonds maturing September 1, 20__, are subject to mandatory sinking fund redemption in whole, or in part by lot, on September 1 in each year commencing September 1, 20__, as provided in the Fiscal Agent Agreement.

The Bonds maturing September 1, 20__, are subject to mandatory sinking fund redemption in whole, or in part by lot, on September 1 in each year commencing September 1, 20__, as provided in the Fiscal Agent Agreement.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement, and may specify that redemption on the specified date will be subject to receipt by the City of moneys sufficient to cause such redemption.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made

to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, City of Beverly Hills has caused this Bond to be to be signed by the facsimile signature of its Director of Administrative Services and Chief Financial Officer and countersigned by the facsimile signature of the Clerk with the seal of the City imprinted hereon.

[S E A L]

Clerk

Director of Administrative Services
and Chief Financial Officer

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 2013.

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

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

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

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

EXHIBIT B

**COMMUNITY FACILITIES DISTRICT NO. 2002-A
(BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS
2013 Special Tax Refunding Bonds**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM COSTS OF ISSUANCE FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of Administrative Services and Chief Financial Officer of the City of Beverly Hills, a general law city duly organized and existing under the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of February 1, 2013 (the "Fiscal Agent Agreement"), by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.02(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A; and

(iv) the disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the Costs of Issuance Fund.

Dated: _____

CITY OF BEVERLY HILLS

By: _____
Director of Administrative Services
and Chief Financial Officer

SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount

EXHIBIT C

**COMMUNITY FACILITIES DISTRICT NO. 2002-A
(BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS
2013 Special Tax Refunding Bonds**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM ADMINISTRATIVE EXPENSE FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of Administrative Services and Chief Financial Officer of the City of Beverly Hills, a general law city duly organized and existing under the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of February 1, 2013 (the "Fiscal Agent Agreement"), by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.06(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Administrative Expense Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of an Administrative Expense or Costs of Issuance (as those terms are defined in the Fiscal Agent Agreement) as described on attached Schedule A; and

(iv) the disbursements described on the attached Schedule A constitute Administrative Expenses or Costs of Issuance, and are properly chargeable to the Administrative Expense Fund.

Dated: _____

CITY OF BEVERLY HILLS

By: _____
Director of Administrative Services
and Chief Financial Officer

SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount

\$ _____
**COMMUNITY FACILITIES DISTRICT NO. 2002-A
(BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS
2012 SPECIAL TAX REFUNDING BONDS**

BOND PURCHASE AGREEMENT

December ____, 2012

City of Beverly Hills
Community Facilities District No. 2002-A (Business Triangle)
455 North Rexford Drive
Beverly Hills, California 90210

Ladies and Gentlemen:

Stifel Nicolaus & Company, Inc. dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter") offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the City of Beverly Hills (the "City") for and on behalf of Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills (the "District"), which, upon your acceptance of this offer, will be binding upon the Underwriter and the City. The agreement of the Underwriter to purchase the Bonds (as such term is defined below) is contingent upon the City satisfying all of the obligations imposed upon it under this Purchase Agreement. This offer is made subject to the City's acceptance by its execution of this Purchase Agreement and its delivery to the Underwriter on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. All capitalized terms used herein which are not otherwise defined herein have the meanings provided for such terms in the Fiscal Agent Agreement (as such term is defined below).

Section 1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the \$_____ aggregate principal amount of the City of Beverly Hills Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills, 2012 Special Tax Refunding Bonds (the "Bonds"), dated the Closing Date (as such term is defined below), bearing interest at the rates and maturing on the dates and in the principal amounts set forth in Exhibit A hereto. The purchase price for the Bonds shall be \$_____ (representing the principal amount of the Bonds of \$_____, plus a net original issue premium of \$_____, and less an Underwriter's discount of \$_____). The Bonds shall be in the form set forth in, shall be issued and secured under the provisions of, and shall be payable from the Special Taxes as provided in the Fiscal Agent Agreement, dated as of January 1, 2013 (the "Fiscal Agent Agreement"), by and between the City for and on behalf of the District, and U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as fiscal

agent (the "Fiscal Agent"). The terms of the Bonds and the security therefor shall be as described in the Official Statement (as such term is defined below), and the Bonds will be issued under the authority of the Mello-Roos Community Facilities Act of 1982, constituting Section 53311 et seq. of the California Government Code (the "Act").

The Bonds were authorized to be issued pursuant to Resolution No. _____ adopted on December 4, 2012 (the "Bond Resolution") by the City Council of the City (the "City Council"), acting as the legislative body of the District. The special taxes that will provide a source of payment for the Bonds (the "Special Taxes") are being levied pursuant to Resolution No. 02-R-11127, adopted on July 18, 2002 by the City Council, acting as the legislative body of the District, which established the District and authorized the levy of a special tax within the District (the "Resolution of Formation"), and Ordinance No. 2993, adopted by the City Council, acting as the legislative body of the District, on February 19, 2002 (the "Ordinance"), which provided for the levy of the Special Taxes on property in the District. The Bond Resolution, the Resolution of Formation and the Ordinance are collectively referred to below as the "Resolutions and the Ordinance."

The proceeds of the sale of the Bonds will be applied by the City in accordance with the Fiscal Agent Agreement: (i) to refund in full and legally defease the Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills Special Tax Bonds, Series 2002 (the "Prior Bonds"); (ii) to fund a debt service reserve fund for the Bonds; and (iii) to pay costs of issuing the Bonds. The refunding and defeasance of the Prior Bonds will be accomplished as described in the Irrevocable Refunding Instructions, dated as of the Closing Date (as such term is defined below) (the "Escrow Instructions"), by the City to U.S. Bank National Association, as escrow bank (the "Escrow Bank"), and as fiscal agent for the Prior Bonds (the "Prior Fiscal Agent").

(b) Pursuant to the authorization of the City, the Underwriter has distributed copies of the Preliminary Official Statement, dated December __, 2012, relating to the Bonds, which, together with the cover page and appendices thereto, is herein called the "Preliminary Official Statement." By its acceptance of this Purchase Agreement, the City hereby ratifies the use by the Underwriter of the Preliminary Official Statement; and the City agrees to execute a final official statement relating to the Bonds (the "Official Statement") which will consist of the Preliminary Official Statement with such changes as may be made thereto, with the approval of Jones Hall, A Professional Law Corporation, the City's Bond Counsel (herein called "Bond Counsel") and the Underwriter, and to provide copies thereof to the Underwriter as set forth in Section 2(n) hereof. The City hereby authorizes the Underwriter to use and promptly distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement, the Official Statement and any supplement or amendment thereto. The City further authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds, this Purchase Agreement and all information contained herein, the Fiscal Agent Agreement, the Escrow Instructions and all other documents, certificates and statements furnished by or on behalf of the City or the District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

(c) Except as the Underwriter and the City may otherwise agree, at 8:00 A.M. California time, on January __, 2013 (the "Closing Date"), the City will deliver to the Underwriter, at the offices of Bond Counsel, or at such other location as may be mutually agreed upon by the Underwriter and the City, the documents hereinafter mentioned, and the City will deliver to the Underwriter through the facilities of The Depository Trust Company ("DTC") in New York, New York, the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed by the City and authenticated by the Fiscal Agent in the manner provided for in the Fiscal Agent Agreement and

the Act, and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (a) of this Section in immediately available funds (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be made available to the Underwriter for inspection not later than two Business Days prior to the Closing Date. The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

Section 2. Representations, Warranties and Agreements of the City. The City represents and warrants to, and covenants and agrees with, the Underwriter that:

(a) The District is a community facilities district duly organized and validly existing under the Constitution and laws of the State of California, and the City, acting on behalf of the District, has, and at the Closing Date will have, full legal right and power: (i) to enter into, execute and deliver this Purchase Agreement, the Fiscal Agent Agreement, the Escrow Instructions, the Continuing Disclosure Certificate of the City, dated the Closing Date (the "Continuing Disclosure Certificate"), by and between the City and Dolinka Group, LLC, as dissemination agent (the "Dissemination Agent"), the Bonds and the Official Statement; and (ii) to carry out, give effect to and consummate the transactions on its part contemplated hereby and thereby.

(b) The Resolutions and the Ordinance have been duly adopted by the City Council and are in full force and effect, and the Fiscal Agent Agreement, the Escrow Instructions and the Continuing Disclosure Certificate, when executed and delivered by the City and the other party or parties thereto, will constitute legal, valid and binding obligations of the City on behalf of the District enforceable against the City in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally. The City has complied, and will at the Closing Date be in compliance, in all respects with the Fiscal Agent Agreement, the Escrow Instructions, the Continuing Disclosure Certificate, the Act and this Purchase Agreement.

(c) The City Council has duly and validly: (i) made all the necessary findings and determinations required under the Act in connection with the formation of the District and the issuance of the Bonds; (ii) approved and authorized the execution and delivery by the City of the Fiscal Agent Agreement, the Escrow Instructions, the Bonds, the Continuing Disclosure Certificate, and this Purchase Agreement, and approved the distribution of the Preliminary Official Statement and the execution by the City and distribution of the Official Statement; and (iii) authorized and approved the performance by the City of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions on its part contemplated by, each of such documents. All consents or approvals necessary to be obtained by the City or the District in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) Neither the City nor the District is, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City or the District is a party or is otherwise subject or bound, and the performance by the City on behalf of the District of its obligations under the Fiscal Agent Agreement, the Bonds, the Escrow Instructions, the Continuing Disclosure Certificate and this

Purchase Agreement and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City or the District is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the City on behalf of the District of its obligations under the Fiscal Agent Agreement, the Bonds, the Escrow Instructions, the Continuing Disclosure Certificate or this Purchase Agreement.

(e) Except as may be required under the “blue sky” or other securities laws of any jurisdiction, all approvals, consents, authorizations, elections and orders of, or filings or registrations with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect the performance by the City on behalf of the District of its obligations hereunder or under the Fiscal Agent Agreement, the Bonds, the Escrow Instructions or the Continuing Disclosure Certificate have been or will be obtained at the Closing Date and are or will be at the Closing Date in full force and effect.

(f) When delivered to the Underwriter, the Bonds will have been duly authorized by the City Council and duly executed, issued and delivered by the City and will constitute legal, valid and binding obligations of the City on behalf of the District enforceable against the City in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights generally. The Fiscal Agent Agreement creates a valid pledge of, first lien upon and security interest in, the Special Tax Revenues (except as provided in the Fiscal Agent Agreement) and the amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund established pursuant to the Fiscal Agent Agreement, on the terms and conditions set forth in the Fiscal Agent Agreement.

(g) As of the date hereof the information in the Preliminary Official Statement concerning the City and the District is true and correct in all material respects and does not, and on the Closing Date the information in the Official Statement will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) If after the date of this Purchase Agreement and until ninety (90) days after the End of the Underwriting Period (as such term is defined below), any event shall occur, of which the City has notice, as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein, in the light of the circumstances existing at such time, not misleading, the City shall forthwith notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter and the City Manager on behalf of the District, such event requires an amendment or supplement to the Official Statement, the City will at its own expense amend or supplement the Official Statement in a form and manner jointly approved by the City and the Underwriter so that the statements therein as so amended or supplemented will not be misleading in light of the circumstances existing at such time, and the City will promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. As used herein the term “End of the Underwriting Period” means the later of such time as: (i) the City on behalf of the District delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain an unsold

balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the City at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the "End of the Underwriting Period."

(i) No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency or public board or body to which the City or the District is a party and has been served with a summons or other notice thereof, is pending, or to the knowledge of the City is threatened, in any way affecting the existence of the District, the existence of the City or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement and the Escrow Instructions, the collection or application of the Special Taxes pledged or to be pledged to pay the principal of, and interest on, the Bonds, or the pledge thereof, or the collection or application of the Special Taxes pledged or to be pledged to pay the principal of, and interest on, the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Fiscal Agent Agreement, the Bonds, the Escrow Instructions, the Continuing Disclosure Certificate or this Purchase Agreement, any action of the City or the District contemplated by any of such documents, or in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the powers of the City or the District with respect to the Fiscal Agent Agreement, the Bonds, the Escrow Instructions, the Continuing Disclosure Certificate or this Purchase Agreement or any action of the City or the District contemplated by any of such documents, or which contests the exclusion from gross income for federal income tax purposes of interest paid on the Bonds or the exemption of interest paid on the Bonds from State of California personal income taxation.

(j) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter to qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; provided, however, that neither the City nor the District shall be required to register as a dealer or broker of securities or to consent to service of process or qualify to do business in any jurisdiction where it is not now so subject. It is understood that such "blue sky" registration is the sole responsibility of the Underwriter.

(k) Any certificate signed by any officer or employee of the City authorized to do so and delivered to the Underwriter in connection with the transactions contemplated by this Purchase Agreement shall be deemed to be a representation and warranty by the City on behalf of the District as to the statements made therein.

(l) The City on behalf of the District will apply the proceeds of the Bonds in accordance with the Fiscal Agent Agreement.

(m) Until such time as moneys have been set aside in an amount sufficient to pay all then outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the City on behalf of the District will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Fiscal Agent Agreement.

(n) The Preliminary Official Statement heretofore delivered to the Underwriter has been deemed final by the City as of its date, except for the omission of such information as is permitted to be omitted in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”). The City hereby covenants and agrees that, within seven (7) business days from the date hereof, or upon reasonable written notice from the Underwriter within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the City shall cause a final printed form of the Official Statement to be delivered to the Underwriter in a sufficient quantity to comply with Rule 15c2-12 and the applicable rules of the Municipal Securities Rulemaking Board.

(o) Except as disclosed in the Official Statement, to the best of the City’s knowledge, no other public debt secured by a tax or assessment levied by the City on the land in the District is in the process of being authorized and no assessment districts or community facilities districts have been or are in the process of being formed by the City that include any portion of the land within the District.

(p) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(q) The Special Taxes may lawfully be levied in accordance with the First Amended Rate and Method of Apportionment of Special Taxes for the District (the “Rate and Method”) and the Ordinance, and, when levied, the Special Taxes will be secured by a lien on the property on which they are levied.

(r) Neither the City nor the District has failed in any material respect to comply with any undertaking of the City under Rule 15c2-12 in the previous five years, except as is disclosed in the Preliminary Official Statement and in the Official Statement.

(s) The total net interest cost to maturity on the Bonds plus the principal amount of the Bonds is less than the total remaining net interest cost to maturity on the Prior Bonds plus the outstanding principal amount of the Prior Bonds.

(t) The City acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm’s length commercial transaction between the City and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the City; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the City with respect to the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has advised or is currently advising the City on other matters) or any other obligation to the City except the obligations expressly set forth in this Purchase Agreement; (iv) the Underwriter has financial interests that differ from those of the City; and (v) the City has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

The execution and delivery of this Purchase Agreement by the City on behalf of the District shall constitute a representation to the Underwriter that the representations and warranties contained in this Section 2 are true as of the date hereof.

Section 3. Conditions to the Obligation of the Underwriter. The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the City contained herein, to the accuracy in all material respects of the statements of the officer and other officials of the City made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City on behalf of the District of its obligations to be performed hereunder at or prior to the Closing Date and to the following conditions:

(a) At the Closing Date, the Fiscal Agent Agreement, the Escrow Instructions, the Continuing Disclosure Certificate, and this Purchase Agreement shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds, and with the transactions contemplated thereby, by this Purchase Agreement, all such actions as, in the opinion of Bond Counsel, and counsel to the Underwriter, shall be necessary and appropriate.

(b) At the Closing Date, neither the City nor the District shall be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City or the District is a party or is otherwise subject or bound, and the performance by the City on behalf of the District of its obligations under the Bonds, the Fiscal Agent Agreement, the Escrow Instructions, the Continuing Disclosure Certificate and this Purchase Agreement, and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City or the District is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the City on behalf of the District of its obligations under the Bonds, Fiscal Agent Agreement, the Escrow Instructions, the Continuing Disclosure Certificate and this Purchase Agreement.

(c) At the Closing Date, except as may be required under the “blue sky” or other securities laws of any jurisdiction, all approvals, consents, authorizations, elections and orders of, or filings or registrations with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City on behalf of the District of its obligations hereunder, and the Fiscal Agent Agreement, the Bonds, the Escrow Instructions or the Continuing Disclosure Certificate will have been obtained and will be in full force and effect.

(d) The information contained in the Official Statement is, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant to Section 2(h) hereof, true and correct in all material respects and does not, as of the Closing Date or as of the date of any supplement or amendment thereto pursuant to Section 2(h) hereof, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth on the inside cover page of the Official Statement, of the Bonds shall not have been materially adversely affected (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

(1) legislation introduced in or enacted (or resolution passed) by the House of Representatives or the Senate of the Congress of the United States of America or recommended to the House of Representatives or the Senate of the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either the House of Representatives or the Senate of the Congress by any committee of the House or the Senate to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon such interest as would be received by any owners of the Bonds;

(2) legislation introduced in or enacted (or resolution passed) by the House of Representatives or the Senate of the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Fiscal Agent Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(3) a general suspension of trading in securities on the New York Stock Exchange, or a general banking moratorium declared by Federal, State of New York or State of California officials authorized to do so;

(4) the introduction, proposal or enactment of any amendment to the Federal or California Constitution or any action by any Federal or California court, legislative body, regulatory body or any other governmental body materially adversely affecting the tax status of the District, its property, income, securities (or interest thereon), the validity or enforceability of the Special Taxes or the ability of the City to issue the Bonds and levy the Special Taxes as contemplated by the Fiscal Agent Agreement, the Rate and Method, the Ordinance and the Official Statement;

(5) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement

of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(6) the occurrence of any outbreak of hostilities or other local, national or international calamity or crisis or the escalation of any hostilities, calamity or crisis;

(7) the commencement of any action, suit or proceeding described in Section 2(i); or

(8) the rating on the Bonds is withdrawn or lowered.

(f) At or prior to the Closing Date, the Underwriter shall have received two counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) the Resolutions and the Ordinance, together with a certificate of the City Clerk, dated as of the Closing Date, to the effect that attached thereto are true, correct and complete copies of the Resolutions and the Ordinance, which have not been amended, supplemented or repealed and are in full force and effect;

(2) the Official Statement, executed on behalf of the District by an authorized signatory of the City;

(3) the Fiscal Agent Agreement, duly executed and delivered by the City and the Fiscal Agent, and the Escrow Instructions, duly executed by the City and acknowledged and accepted by the Escrow Bank and the Prior Fiscal Agent;

(4) the Continuing Disclosure Certificate, duly authorized and executed by the City and the Dissemination Agent;

(5) an unqualified opinion, dated the Closing Date and addressed to the City, of Bond Counsel, to the effect that the Bonds are the valid, legal and binding obligations of the City and that the interest thereon is excluded from gross income for federal income tax purposes and exempt from personal income taxes of the State of California, in substantially the form included as Appendix F to the Official Statement, together with a letter of Bond Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion addressed to the City may be relied upon by the Underwriter to the same extent as if such opinion was addressed to the Underwriter;

(6) a supplemental opinion or opinions, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, to the effect that: (i) this Purchase Agreement, the Continuing Disclosure Certificate and the Escrow Instructions have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Underwriter, the Dissemination Agent and U.S. Bank National Association, as Escrow Bank and as Prior Fiscal Agent, respectively, constitute legal, valid and binding agreements of the City on behalf of the District, each enforceable against the City in accordance with its respective terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization insolvency or other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases; (ii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Fiscal Agent

Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended; (iii) the Bonds, the Fiscal Agent Agreement, the Escrow Instructions and the Continuing Disclosure Certificate conform as to form and tenor to the descriptions thereof contained in the Official Statement, and the statements contained in the Official Statement on the cover and under the captions "INTRODUCTION," "FINANCING PLAN," "THE 2012 BONDS," "SECURITY FOR THE 2012 BONDS," and "LEGAL MATTERS—Tax Exemption" and in Appendices B and F to the Official Statement, insofar as such statements purport to summarize certain provisions of the Bonds, the Fiscal Agent Agreement, the Escrow Instructions, Bond Counsel's final opinion and the Act, are accurate in all material respects; and (iv) the Fiscal Agent Agreement has been duly executed by the City on behalf of the District and creates a valid pledge of the Special Taxes and the amounts on deposit in certain funds and accounts established under the Fiscal Agent Agreement to secure the repayment of the Bonds, as and to the extent provided in such Fiscal Agent Agreement;

(7) a letter of Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel, dated the Closing Date, addressed to the District and to the Underwriter, substantially to the effect that based upon an examination which they have made, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, they have no reason to believe that the Official Statement (other than financial statements and other statistical and financial data and information relating to The Depository Trust Company, New York, New York, and its book-entry system contained therein and incorporated therein by reference, as to which no view need be expressed) as of its date contained and as of the Closing Date contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(8) a certificate of the City, dated the Closing Date and signed by the Chief Financial Officer or City Manager or an authorized designee to the effect that: (i) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, except that all references herein to the Preliminary Official Statement shall be deemed to be references to the Official Statement; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the City has complied with all the agreements and satisfied all the conditions on its part to be satisfied under this Purchase Agreement, the Fiscal Agent Agreement, the Escrow Instructions, the Continuing Disclosure Certificate and the Official Statement at or prior to the Closing Date;

(9) an opinion, dated the Closing Date and addressed to the City and the Underwriter, of Richards, Watson & Gershon, Los Angeles, California, City Attorney, to the effect that: (i) the District is a community facilities district duly organized and validly existing under the Act; (ii) the Official Statement and the distribution thereof have been duly authorized by the City; (iii) the Resolutions and the Ordinance were adopted at meetings of the City Council, acting as the legislative body of the District, which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting; (iv) the City on behalf of the District has duly and validly executed and delivered on behalf of the District this Purchase Agreement, the Fiscal Agent Agreement, the Bonds, the Escrow Instructions and the Continuing Disclosure Certificate, and each such document constitutes the legal, valid and binding obligation of the City on behalf of the District enforceable against the City in accordance with its terms, subject to bankruptcy,

insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought; (v) other than as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body to which the City or the District is a party and has been served with a summons or other notice thereof, is pending or, to such counsel's knowledge, threatened, in any way affecting the existence of the District, the existence of the City or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, the collection or application of the Special Taxes to pay the principal of, and interest on, the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement, the Escrow Instructions, this Purchase Agreement, the Continuing Disclosure Certificate, or any action of the City or the District contemplated by any of such documents or in any way contesting the completeness or accuracy of the Official Statement or the powers of the City or the District with respect to the Bonds, the Fiscal Agent Agreement, the Escrow Instructions, this Purchase Agreement, the Continuing Disclosure Certificate, or any action on the part of the City or the District contemplated by any of such documents, or which challenges the exclusion of the interest paid on the Bonds from federal income tax and the exemption of interest paid on the Bonds from State of California personal income taxation; and (vi) the statements in the Official Statement under the heading "LEGAL MATTERS—No Litigation" are, as of the date of the Official Statement and as of the date of the opinion, true and correct in all material respects and do not, as of the date of the Official Statement and as of the date of the opinion, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(10) a transcript of all proceedings relating to the authorization, issuance, sale and delivery of the Bonds, including certified copies of the Resolutions and the Ordinance and the Notice of Special Tax Lien referred to in Section 3(f)(15) below;

(11) certified copies of excerpts from the Bylaws of U.S. Bank National Association, as Fiscal Agent, authorizing the execution and delivery of certain documents by certain officers of U.S. Bank National Association, which resolution authorizes the execution by the Fiscal Agent and the Escrow Bank of the Fiscal Agent Agreement and the Escrow Instructions, respectively;

(12) a certificate of U.S. Bank National Association, addressed to the Underwriter and the City dated the Closing Date, to the effect that: (i) U.S. Bank National Association is authorized to carry out corporate trust powers, and has full power and to perform its duties under the Fiscal Agent Agreement and the Escrow Instructions; (ii) U.S. Bank National Association is duly authorized to execute and deliver the Fiscal Agent Agreement and the Escrow Instructions, to accept the obligations created by the Fiscal Agent Agreement and the Escrow Instructions, and to authenticate the Bonds pursuant to the terms of the Fiscal Agent Agreement; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over U.S. Bank National Association that has not been obtained is or will be required for the authentication of the Bonds, of the consummation by it of the other transactions contemplated to be performed by it in connection with the authentication of the Bonds and the acceptance and performance of the obligations created by the Fiscal Agent Agreement and the Escrow Instructions; and (v) to the best of its knowledge, compliance with the terms of the Fiscal Agent Agreement and the Escrow Instructions will not conflict with, or result in a violation or breach

of, or constitute a default under, any loan agreement, fiscal agent agreement, bond, note, resolution or any other agreement or instrument to which U.S. Bank National Association is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over U.S. Bank National Association or any of its activities or properties;

(13) a certificate dated the Closing Date from Dolinka Group, LLC (the “Special Tax Consultant”), substantially in the form set forth in Exhibit C hereto;

(14) a tax certificate of the City on behalf of the District in form and substance acceptable to Bond Counsel and the Underwriter;

(15) evidence of recordation in the real property records of the County of Los Angeles of the Notice of Special Tax Lien in the form required by the Act;

(16) evidence that Federal Form 8038 has been executed by the City and will be filed with the Internal Revenue Service;

(17) an opinion of counsel to the Fiscal Agent and Escrow Bank in form and substance satisfactory to the Underwriter dated the Closing Date and addressed to the City and the Underwriter to the effect that the U.S. Bank National Association has duly authorized the execution and delivery of the Fiscal Agent Agreement and the Escrow Instructions, and that such documents are valid and binding obligations of U.S. Bank National Association enforceable in accordance with their respective terms;

(18) an opinion of Bond Counsel addressed to the City and the Fiscal Agent, to the effect that, assuming that amounts held by the Escrow Bank under the Escrow Instructions are sufficient to pay the full redemption price of the Prior Bonds on the Redemption Date (as defined in the Escrow Instructions), upon the execution and delivery of the Escrow Instructions by the parties thereto and the funding of the Escrow Fund thereunder, the Prior Bonds will have been legally defeased and will no longer be outstanding under the fiscal agent agreement pursuant to which they were issued;

(19) a verification report from Grant Thornton LLP in form and substance acceptable to Bond Counsel and the Underwriter;

(20) an opinion or letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, addressed to the Underwriter, in form and substance acceptable to the Underwriter;

(21) evidence that the Bonds have been assigned the rating of “___” by Standard & Poor’s Rating Services; and

(22) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations and warranties of the City contained herein, and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions

contemplated hereby, and by the Fiscal Agent Agreement, the Escrow Instructions, the Continuing Disclosure Certificate and the Official Statement.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and none of the City, the District or the Underwriter shall be under any further obligation hereunder, except that the respective obligations of the Underwriter, the City and the District set forth in Section 4 hereof shall continue in full force and effect.

Section 4. Expenses.

(a) Whether or not the Underwriter accepts delivery of and pays for the Bonds as set forth herein, it shall be under no obligation to pay, and the City shall pay out of the proceeds of the Bonds or any other legally available funds of the City, all expenses incidental to the performance of the City's obligations hereunder, including but not limited to the cost of printing and delivering the Bonds to the Underwriter, the costs of printing and shipping the Preliminary Official Statement and the Official Statement, the fees and expenses of the District, the City, the Fiscal Agent, the Dissemination Agent, the Special Tax Consultant, Bond Counsel, Disclosure Counsel and counsel to the Underwriter, and the fees and expenses of any experts or consultants retained by the City in connection with the issuance and sale of Bonds and the refunding of the Prior Bonds, and any other expenses not specifically enumerated in paragraph (b) of this Section incurred in connection with the issuance and sale of the Bonds.

(b) Whether or not the Bonds are delivered to the Underwriter as set for the herein, the City shall be under no obligation to pay, and the Underwriter shall be responsible for and pay, CUSIP Bureau and CDIAAC fees and expenses to qualify the Bonds for sale under any "blue sky" laws; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds not specifically enumerated in paragraph (a) of this Section.

Section 5. Undertakings of the City. The City agrees: (a) to inform the Underwriter, from time to time, upon the reasonable request of the Underwriter, of the amount then on deposit in the Reserve Fund and all accounts thereunder; and (b) to make available to the Underwriter, upon reasonable request of the Underwriter, at the expense of the City, sufficient copies of its audited financial statements, if any, resolutions of its legislative body with respect to the Bonds, the Fiscal Agent Agreement, the Official Statement, any amendments or supplements thereto, and other documents relating to the Bonds and pertaining to the District or the City, to the extent that such documents are publicly available, as may be reasonably required from time to time for the prompt and efficient performance by the Underwriter of its obligations hereunder (except any portion of any such document which, by contract, is not subject to disclosure).

Section 6. Notices. Any notice or other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City of Beverly Hills, 455 North Rexford Drive, Beverly Hills, California 90210, Attention: Chief Financial Officer; any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to: Stifel Nicolaus & Company, Inc. dba Stone & Youngberg, a Division of Stifel Nicolaus, 515 South Figueroa Street, Suite 1800, Los Angeles, California 90071, Attention: Steve Heaney.

Section 7. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City, the District and the Underwriter (including any successors or assignees of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

Section 8. Survival of Representations and Warranties. The representations and warranties of the City hereunder shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the City and regardless of the delivery of and payment for the Bonds.

Section 9. Execution in Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 10. No Prior Agreements. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings among the parties hereto in relation to the sale of the Bonds of the City.

Section 11. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California, applicable to contracts made and performed within the State of California.

Section 12. Effective Date. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable as of the time of such acceptance.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Very truly yours,

STIFEL NICOLAUS & COMPANY, INC.
DBA STONE & YOUNGBERG, A
DIVISION OF STIFEL NICOLAUS

By: _____
Its: Authorized Officer

Accepted and agreed to as of
the date first above written:

CITY OF BEVERLY HILLS
for and on behalf of the
COMMUNITY FACILITIES DISTRICT
NO. 2002-A (BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS

By: _____
Name: _____
Its: _____

Time of Execution: _____

EXHIBIT A

MATURITY SCHEDULE

| <i>Maturity Date (September 1)</i> | <i>Principal Amount</i> | <i>Interest Rate</i> | <i>Yield</i> | <i>Price</i> |
|--|-----------------------------|--------------------------|--------------|--------------|
| | \$ | % | % | |

EXHIBIT B

\$ _____ *

**COMMUNITY FACILITIES DISTRICT NO. 2002-A
(BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS
2012 SPECIAL TAX REFUNDING BONDS**

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he is the duly appointed and acting Chief Financial Officer of the City of Beverly Hills (the "Issuer"), the City Council of which is the legislative body of Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills (the "District"), and is duly authorized to execute and deliver this Certificate and further hereby certifies on behalf of the Issuer as follows:

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

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated December __, 2012, setting forth information concerning the Bonds, the Issuer and the District (the "Preliminary Official Statement").

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

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule.

IN WITNESS WHEREOF, I have hereunto set my hand as of December __, 2012.

CITY OF BEVERLY HILLS
for and on behalf of the
COMMUNITY FACILITIES DISTRICT
NO. 2002 A (BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS

By: _____
Chief Financial Officer

* Preliminary, subject to change.

EXHIBIT C

**§ _____
COMMUNITY FACILITIES DISTRICT NO. 2002-A
(BUSINESS TRIANGLE)
OF THE CITY OF BEVERLY HILLS
2012 SPECIAL TAX REFUNDING BONDS**

CERTIFICATE OF SPECIAL TAX CONSULTANT

City of Beverly Hills
Community Facilities District No. 2002-A (Business Triangle)
455 North Rexford Drive
Beverly Hills, California 90210

Stifel Nicolaus & Company, Inc. dba Stone & Youngberg, a Division of Stifel Nicolaus
515 South Figueroa Street, Suite 1800
Los Angeles, California 90071
Attention: Sara Brown

The undersigned hereby states and certifies:

1. That the undersigned is an authorized officer of Dolinka Group, LLC (the "Special Tax Consultant") and as such is familiar with the facts herein certified and is authorized and qualified to certify the same.
2. That the Special Tax Consultant has been retained as Special Tax consultant for the Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills (the "District"), and has reviewed the First Amended Rate and Method of Apportionment of Special Tax for the District (the "Rate and Method") a copy of which is set forth in Appendix C to the Official Statement, dated December __, 2012 (the "Official Statement") relating to the above-captioned bonds (the "Bonds").
3. That, based upon our review of the Rate and Method, the Special Tax, if collected in the maximum amounts permitted pursuant to the Rate and Method on the date hereof, and after deduction annually of the Administrative Expense Deposit (as such term is defined in the Fiscal Agent Agreement referred to in the Official Statement), would generate at least 110% of the gross annual debt service on the Bonds, provided that the annual debt service figures set forth in the table under the heading "DEBT SERVICE SCHEDULE" in the Official Statement, which were relied upon by Special Tax Consultant, are true and correct. However, although the Special Tax if collected in the maximum amounts pursuant to the Rate and Method will generate at least 110% of the gross annual debt service payable with respect to the Bonds each year, no representation is made herein as to actual amounts that will be collected in future years.

4. That all information with respect to the Rate and Method in the Official Statement and all other information in the Official Statement sourced from the Special Tax Consultant (including but not limited to Tables [3, 4, 6, 7 and 8] therein) is true and correct as of the date of the Official Statement and as of the date hereof, and a true and correct copy of the Rate and Method is attached to the Official Statement as Appendix C.

Dated: January __, 2013

DOLINKA GROUP, LLC

By: _____
Its: _____