

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

NEW ISSUE - FULL BOOK-ENTRY

RATINGS: Standard & Poor's: "____"

See "Ratings"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2013 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2013 Bonds is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____ *

**CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2013 Lease Revenue Refunding Bonds, Series A
(2003 Refunding Project)**

Dated: Date of Delivery

Due: June 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the "2013 Bonds") are being issued by the City of Beverly Hills Public Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on _____, 2013, and an Indenture dated as of June 1, 2013 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). See "THE 2013 BONDS – Authority for Issuance."

Use of Proceeds. The 2013 Bonds are being issued primarily to refund on a current basis the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 2003 Refunding Series A." In addition, the proceeds of the 2013 Bonds will pay the costs of issuing the 2013 Bonds. See "FINANCING PLAN."

Security for the 2013 Bonds. Under the Indenture, the 2013 Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Property Lease, dated as of June 1, 2013, by and between the Authority, as lessor, and the City of Beverly Hills (the "City"), as lessee (the "Property Lease"), consisting primarily of rental payments (the "Base Rental Payments") made by the City under the Property Lease with respect to the lease of certain real property, as further described in this Official Statement. The 2013 Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE 2013 BONDS."

Bond Terms; Book-Entry Only. The 2013 Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2013, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The 2013 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2013 Bonds will not receive certificates representing their interests in the 2013 Bonds. Payments of the principal of, premium, if any, and interest on the 2013 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2013 Bonds. See "THE 2013 BONDS – General Provisions."

Redemption. The 2013 Bonds are subject to mandatory redemption from insurance or condemnation proceeds prior to maturity. See "THE 2013 BONDS – Redemption."

NEITHER THE 2013 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2013 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2013 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

MATURITY SCHEDULE

(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO

OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2013 BONDS.

The 2013 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the 2013 Bonds will be delivered in book-entry form through the facilities of DTC on or about _____, 2013.



The date of this Official Statement is: _____, 2013

* Preliminary; subject to change.

MATURITY SCHEDULE*

\$ _____ Serial Bonds
(Base CUSIP†: _____)

<u>Maturity</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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† Copyright 2013, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City, the Authority nor the Underwriter assume any responsibility for the accuracy of these CUSIP data.

* Preliminary; subject to change

**CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
CITY OF BEVERLY HILLS**

AUTHORITY BOARD/CITY COUNCIL

John A. Mirisch, *Chair/Mayor*
Lili Bosse, *Vice Chair/Vice Mayor*
William W. Brien M.D., *Director/Councilmember*
Julian A. Gold M.D., *Director/Councilmember*
Nancy H. Krasne, *Director/Councilmember*

AUTHORITY/CITY OFFICIALS

Jeff Kolin, *Executive Director/City Manager*
Mahdi Aluzri, *Assistant City Manager*
Laurence S. Wiener, *City Attorney*
Eliot M. Finkel, *City Treasurer*
Byron Pope, *Secretary/City Clerk*
Don Rhoads, *Authority Treasurer/Director of Administrative Services & Chief Financial Officer*
Noel Marquis, *Assistant Director of Administrative Services & Assistant Chief Financial Officer*
Mark Brower, *Utility Billing & Customer Services Manager*

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

VERIFICATION AGENT

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

TRUSTEE

U.S. Bank National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2013 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2013 Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2013 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Limited Scope of Information. The City has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Indenture.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2013 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2013 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2013 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2013 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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OFFICIAL STATEMENT

\$ _____ *

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2013 Lease Revenue Refunding Bonds, Series A
(2003 Refunding Project)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2013 Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See "APPENDIX A."

Authority for Issuance. The City of Beverly Hills Public Financing Authority (the "**Authority**") is issuing the bonds captioned above (the "**2013 Bonds**") under the following:

(a) Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the "**Bond Law**"),

(b) resolutions adopted by the Board of Directors (the "**Board**") of the Authority on _____, 2013 (the "**Authority Resolution**"), and by the City Council (the "**City Council**") of the City of Beverly Hills (the "**City**") on _____, 2013 (the "**City Resolution**"), and

(c) an Indenture (the "**Indenture**"), dated as of June 1, 2013, by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**").

Form of Bonds; Book-Entry Only. The 2013 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York ("**DTC**"), or its nominee, which will act as securities depository for the 2013 Bonds. Purchasers of the 2013 Bonds will not receive certificates representing the 2013 Bonds that are purchased. See "THE 2013 BONDS - Book-Entry Only System" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purpose of the 2013 Bonds. The 2013 Bonds are being issued primarily to refund on a current basis the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 2003 Refunding Series A."

* Preliminary; subject to change.

In addition, the proceeds of the 2013 Bonds will pay the costs of issuing the 2013 Bonds. See "FINANCING PLAN."

Security for the 2013 Bonds and Pledge of Revenues. Under the Indenture, the 2013 Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Property Lease, dated as of June 1, 2013, between the Authority, as lessor, and the City, as lessee (the "Property Lease"), consisting primarily of rental payments (the "Base Rental Payments") made by the City under the Property Lease. See "SECURITY FOR THE 2013 BONDS."

The City and the Authority will enter into a Site and Facility Lease dated as of June 1, 2013 (the "Site Lease"). Under the Site Lease, the City will lease certain real property to the Authority, consisting of the City's City Hall (the "Leased Property"). Concurrently, the City and the Authority will enter into the Property Lease, under which the Authority will lease the Leased Property back to the City for the purpose of financing the Improvements. See "THE LEASED PROPERTY."

No Debt Service Reserve Fund. The Indenture does not require the Authority to establish a debt service reserve fund for the 2013 Bonds; accordingly, other than the proceeds of rental interruption insurance as described below, there is no reserve for the payment of Lease Payments or debt service on the 2013 Bonds in the event of abatement. See "BOND OWNERS' RISKS – Abatement."

Redemption. The 2013 Bonds are subject to mandatory redemption from the proceeds of insurance or condemnation proceeds prior to their stated maturity dates. See "THE 2013 BONDS – Redemption."

Abatement. The Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's use and possession of the Site and Facilities or any portion thereof. If the Base Rental Payments are abated under the Property Lease, the Bond Owners would receive less than the full amount of principal of and interest on the 2013 Bonds. To the extent proceeds of rental interruption insurance are available (as described below), Base Rental Payments (or a portion thereof) may be made from those proceeds during periods of abatement. The Authority is not funding a debt service reserve fund for the 2013 Bonds. See "SECURITY FOR THE 2013 BONDS – Abatement" and "BOND OWNERS' RISKS."

Risks of Investment. The 2013 Bonds are repayable only from Base Rental Payments and other amounts payable by the City under the Property Lease. For a discussion of some of the risks associated with the purchase of the 2013 Bonds, see "BOND OWNERS' RISKS."

NEITHER THE 2013 BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2013 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2013 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

FINANCING PLAN

Refunding Plan for 2003 Bonds

The Authority previously issued the 2003 Bonds on March 4, 2003, in the principal amount of \$68,455,000. The 2003 Bonds are currently outstanding in the principal amount of \$19,505,000.

The 2003 Bonds were issued to primarily to refund on a current basis all of the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 1993 Refunding Series A) (the "1993 Bonds"), and to finance certain capital public improvements within the City. The 1993 Bonds had been used to refinance certain outstanding obligations of the City.

The refinancing plan calls for the outstanding 2003 Bonds maturing on and after June 1, 2014, to be redeemed in full, on a current basis, on July 2, 2013 (the "**Redemption Date**"), at a redemption price equal to 100% of the principal amount thereof, together with interest coming due and payable on the Redemption Date, without premium.

In order to accomplish the refinancing plan, a portion of the proceeds of the 2013 Bonds will be transferred to U.S. Bank National Association, acting as the trustee for the 2003 Bonds (the "**2003 Trustee**"), for deposit in an escrow fund (the "**Escrow Fund**") to be established under Irrevocable Refunding Instructions dated as of June 1, 2013 (the "**Refunding Instructions**") given by the Authority to the 2003 Trustee.

The 2003 Trustee will invest the amounts on deposit in the Escrow Fund in certain federal securities as specified in the Refunding Instructions. These funds, together with any remaining amounts held in cash by the 2003 Trustee, will be sufficient to pay and redeem the 2003 Bonds in full on the Redemption Date, and to defease the outstanding 2003 Bonds as of the date of issuance of the 2013 Bonds. See "VERIFICATION OF MATHEMATICAL ACCURACY."

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2013 Bonds are as follows:

Sources:

Principal Amount of 2013 Bonds	\$
<i>Plus:</i> Original Issue Premium	
<i>Less:</i> Original Issue Discount	
TOTAL SOURCES	<hr/> \$

Uses:

Deposit to Escrow Fund [1]	\$
Deposit to Costs of Issuance Fund [2]	
Underwriter's Discount	
TOTAL USES	<hr/> \$

- [1] Represents funds to be used to refund the 2003 Bonds maturing on and after June 1, 2014. See "– Refunding Plan for 2003 Bonds" above.
- [2] Represents funds to be used to pay Costs of Issuance, which include legal fees, printing costs, rating agency fees and other costs of issuing the 2013 Bonds.

THE LEASED PROPERTY

General

Description and Location. Base Rental payments will be made by the City under the Property Lease for the use and occupancy of the Leased Property, which consists generally of the City Hall.

City Hall. The City Hall is located on approximately three acres within the City's Civic Center complex, and was originally constructed in 1932 as a four-story building with a four-story tower. Seismic and structural rehabilitation on the building was completed in 1990, and further renovations were completed in July 2010.

Currently, the City Hall provides approximately 80,000 square feet of usable office space, and houses the City Council offices and City Council chambers, City Manager's offices, numerous public meeting rooms, the offices of Finance Administration, Human Services, City Attorney, City Clerk, Recreation and Parks, Community Development, and Special Events.

The City currently estimates land underlying City Hall has a fair market value in excess of \$39 million, and that the replacement cost of the City Hall building exceeds \$14 million.

Changes to Leased Property

Under the Property Lease, subject to the approval of the Authority, the City will have the right during the term of the Property Lease to make additions, alterations or improvements or to attach fixtures, structures or signs to the Leased Property if those additions, alterations, improvements, fixtures, structures and signs are necessary or beneficial for the use of the Leased Property by the City or otherwise do not adversely affect the fair market value of the Leased Property.

The City may remove any fixture, structure or sign added by the City, but such removal will be accomplished so as to leave the Leased Property in substantially the same condition as it was in before the fixture, structure or sign was attached.

Substitution

Under the Property Lease, the City may amend Exhibit A to the Property Lease to substitute property (the "**Substitute Leased Property**") for all or a portion of the Leased Property thereunder upon compliance with all of the conditions set forth in the Property Lease, which include (among others) the condition that the City must deliver a certificate of the City based (with respect to clauses (i) and (ii) below) on an appraisal (which is prepared by a certified appraiser selected by the City and who may be an employee of the City) stating that:

(i) the annual fair rental value of the Substitute Leased Property is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Property Lease at the time of Substitution;

(ii) the remaining useful life of such Substitute Leased Property is at least equal to the remaining term of the Property Lease; and

(iii) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Leased Property.

See "APPENDIX A."

After a substitution, all or a portion of the Leased Property originally leased under the Property Lease will be released from the leasehold thereunder, as appropriate. The Authority and the City will also make any amendments needed to be made to the Property Lease, and will enter into any necessary site or ground leases in connection with such substitution. Such amendments may be made without the consent of Bondowners.

Removal of Leased Property

Under the Property Lease, the City has the option at any time and from time to time during the term of the Property Lease to remove from the Property Lease any portion of the Leased Property; provided that the City satisfies all of the requirements under the Property Lease that are conditions precedent to such removal, which include (among others) the following:

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

See "APPENDIX A."

Addition of Leased Property

The City may, at any time it deems it necessary or advisable, amend the Property Lease, and enter into any necessary or advisable site or ground lease, to add additional property to the property originally leased under the Property Lease.

THE 2013 BONDS

This section provides summaries of the 2013 Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The 2013 Bonds are being issued under the Bond Law, the Authority Resolution (which was adopted by the Board of the Authority on _____, 2013), the City Resolution (which was adopted by the City Council on _____, 2013), and the Indenture. Under the Authority Resolution and the City Resolution, the 2013 Bonds may be issued in a principal amount not to exceed \$20,000,000.

General Provisions

Bond Terms. The 2013 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The 2013 Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

Payments of Principal and Interest. Interest on the 2013 Bonds will be payable on June 1 and December 1 in each year, beginning December 1, 2013 (each an "**Interest Payment Date**").

While the 2013 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the 2013 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2013 Bonds. See "– Book-Entry Only System" below.

Interest with respect to any 2013 Bond will be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, sent on such Interest Payment Date to the Owner by first-class mail, postage prepaid, at his address as it appears on the registration book maintained by the Trustee, or, upon written request of an Owner of at least \$1,000,000 in aggregate principal amount of 2013 Bonds received by the Trustee on or prior to the Record Date, by wire transfer in immediately available funds to an account with a financial institution within the continental limits of the United States of America designated by such Owner. Payments of defaulted interest will be paid by check to the Owners as of a special record date to be fixed by the Trustee, notice of which special record date will be given to the Owners by first class mail not less than 10 days prior thereto.

Principal and premium, if any, with respect to each 2013 Bond is payable upon surrender of such 2013 Bond at the Principal Corporate Trust Office of the Trustee upon maturity or the earlier redemption thereof.

The principal of, premium, if any, and interest on the 2013 Bonds will be payable in lawful money of the United States of America.

Calculation of Interest. Interest on the 2013 Bonds will accrue from the Interest Payment Date next preceding its date of authentication unless:

(i) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto will be payable from such Interest Payment Date, or

(ii) it is authenticated on or before the Record Date immediately preceding the first Interest Payment Date, in which event interest with respect thereto will be payable from its dated date.

However, if at the time of authentication of any 2013 Bond, interest with respect thereto is in default, interest with respect thereto will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or from its dated date if no interest has been paid or made available for payment.

Interest with respect to the 2013 Bonds will be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Transfer, Registration and Exchange

The following provisions 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 F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

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

Transfer of Bonds. Any registered Bond may, in accordance with its terms, be transferred upon the registration books required to be kept under the Indenture by the person in whose name it is registered, in person or by his duly authorized attorney in writing, upon surrender of such fully registered Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed.

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

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

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

Redemption

Mandatory Redemption from Insurance or Condemnation Proceeds. The Trustee will, on such date as is set forth in a Request of the Authority, redeem the 2013 Bonds as a whole, or in part by lot within any maturity if less than all of the 2013 Bonds of a particular issue or series and maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided for in, the Indenture, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. For purposes of selecting 2013 Bonds for redemption, 2013 Bonds will be deemed to be composed of \$5,000 portions or any integral multiple thereof.

Whenever less than all the Outstanding 2013 Bonds of the same issue or series maturing on any one date are called for redemption at any one time, the Trustee will select the 2013 Bonds or portions thereof to be redeemed from the Outstanding 2013 Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee deems appropriate.

If less than all the Outstanding 2013 Bonds are called for redemption at any one time, the Authority will specify to the Trustee the 2013 Bonds to be redeemed on a proportionate basis among maturities, or, if necessary, in such other manner to ensure that the Base Rental payments remaining after such redemption will be sufficient to pay debt service on the 2013 Bonds on a timely basis.

Notice of Redemption. Notice of redemption will be mailed by the Trustee by first class mail, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, (ii) to one or more Securities Depositories and (iii) to the Municipal Securities Rulemaking Board.

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

Failure by the Trustee to give notice to the Municipal Securities Rulemaking Board or the Securities Depositories or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. The failure of any Bondowner to receive any redemption notice mailed to such Bondowner and any defect in the notice so mailed will not affect the sufficiency of the proceedings for redemption.

However, while the Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Authority 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 Indenture.

Rescission of Redemption Notice. The Authority will have the right to rescind any redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Effect of Redemption. When notice of redemption has been duly given as set forth in the Indenture, and moneys for payment of the redemption price are deposited with the Trustee, the 2013 Bonds so called for redemption will, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date so designated interest on the 2013 Bonds so called for redemption will cease to accrue, those Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and the Owners of those Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Subject to provisions of the Indenture regarding payment of the 2013 Bonds after discharge of the Indenture, the Trustee will, upon surrender for payment of any of such Bonds, pay such Bonds at the redemption price set forth in the Indenture.

Book-Entry Only System

The 2013 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the 2013 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a 2013 Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2013 Bonds. Purchasers of the 2013 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM" for further information regarding DTC and the book-entry system.

DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the 2013 Bonds.

Year Ending June 1	Principal	Interest	Total Debt Service
2014	\$	\$	\$
2015			
Total:			

SECURITY FOR THE 2013 BONDS

The principal of and interest on the 2013 Bonds are not a debt of the Authority or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the 2013 Bonds and certain provisions of the Indenture, the Property Lease and the Site Lease. See "APPENDIX A – Summary of Principal Legal Documents" for a more complete summary of the Indenture, the Property Lease and the Site Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Revenues; Pledge of Revenues

Pledge of Revenues and Other Amounts. Under the Indenture, the Authority pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following, which lien and security interest, except as otherwise expressly set forth in the Indenture, will be prior in right to any other pledge, lien or security interest created by the Authority therein:

- (i) the Revenues,
- (ii) all moneys and investments (excluding moneys on deposit in the Rebate Fund) held from time to time by the Trustee under the Indenture,
- (iii) earnings on amounts included in provisions (i) and (ii) above,
- (iv) all of the right, title and interest of the Authority in the Property Lease (except for the right of the Authority to be indemnified thereunder and the obligation of the Authority and the City to rebate Excess Investment Earnings to the federal government), and
- (v) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Indenture.

This pledge, assignment, grant, lien and security interest are for the equal and proportionate benefit and security of Bonds, all of which, regardless of the time or times of their

authentication and delivery or maturity, are, with respect to the security provided thereby, of equal rank without preference, priority or distinction as to any 2013 Bond over any other 2013 Bond or 2013 Bonds, except as to the timing of payment of the 2013 Bonds.

Revenues Held in Trust. Except as otherwise provided in the provisions of the Indenture concerning the investment of moneys in funds, all Revenues to which the Authority may at any time be entitled will be paid directly to the Trustee and all of the Revenues collected or received by the Authority will be deemed to be held in trust and to have been collected or received by the Authority as the agent of the Trustee, and if received by the Authority at any time will be deposited by the Authority with the Trustee within one Business Day after the receipt thereof.

All such Revenues will be immediately deposited by the Trustee upon the receipt thereof in a special fund, designated as the "Revenue Fund." The Revenue Fund will be maintained by the Trustee, separate and apart from all other funds, so long as any of the 2013 Bonds remain Outstanding.

All moneys at any time deposited in the Revenue Fund will be held by the Trustee in trust for the benefit of the Owners from time to time of the 2013 Bonds and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, as described below.

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

- (i) proceeds of the 2013 Bonds, if any, deposited in the Interest Fund,
- (ii) the Base Rentals set forth in the Property Lease which are received by the Trustee for the benefit of the Owners of the 2013 Bonds,
- (iii) the net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee for the purpose of paying debt service on the 2013 Bonds or redeeming Bonds,
- (iv) other amounts received by the Trustee for the benefit of the Owners of the 2013 Bonds, and
- (v) all other revenues, proceeds, charges, income, rents, receipts, profits and benefits derived by the Authority as lessor of the Leased Property under the Property Lease or otherwise from the use and operation of the Leased Property or arising out of the Leased Property (other than Additional Rental) and payable to the Trustee under the Indenture,
- (vi) interest or profits from the investment of money in any fund or account created under the Indenture (other than the Rebate Fund) which by the terms of the Indenture are required to be deposited in the Revenue Fund,
- (vii) any contributions from whatever source, and
- (viii) all rentals received by the Authority as lessor of the Leased Property from any additions or extensions of the Leased Property hereafter acquired or constructed.

Allocation of Revenues by Trustee; Application of Funds

Transfers from the Revenue Fund. Under the Indenture, upon receipt thereof, the Trustee will deposit all Revenues in the Revenue Fund. The Trustee will thereupon deposit all moneys in the Revenue Fund in one or more of the funds or accounts set forth below, each of which the Trustee will establish, maintain and hold in trust, and the moneys in each of which will be disbursed and applied only as authorized in the Indenture. Such Revenues will be deposited in the following order of priority, the requirements of each such fund at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

(a) ***Interest Fund.*** The Trustee, on or before the Business Day next preceding each Interest Payment Date, will deposit in the Interest Fund an amount which, together with any balance then on deposit in the Interest Fund as of the fifth Business Day prior to the applicable Interest Payment Date, will be sufficient to pay the aggregate amount of interest becoming due and payable on the Outstanding 2013 Bonds on the next succeeding Interest Payment Date.

Any moneys in the Interest Fund not then required for the payment of interest on the next succeeding Interest Payment Date will be carried forward and applied to the payment of interest on any subsequent Interest Payment Date. Moneys in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2013 Bonds when due and payable (including accrued interest on any Bonds redeemed or purchased prior to maturity), subject, however, to the provisions of the Indenture regarding reimbursement of rental.

(b) ***Principal Fund.*** The Trustee, on or before the Business Day next preceding each Principal Payment Date, after making the deposit into the Interest Fund on such date, will deposit in the Principal Fund an amount which, together with any balance then on deposit in the Principal Fund, equals the principal of the 2013 Bonds then due or required to be paid on such Principal Payment Date with respect to the 2013 Bonds in accordance with the terms of the Indenture.

Any moneys in the Principal Fund not then required for the payment of such principal on such Principal Payment Date will be carried forward and applied to the payment of principal on any subsequent Principal Payment Date. Moneys in the Principal Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2013 Bonds when due and payable, subject, however, to the provisions of the Indenture regarding reimbursement of rental.

(c) ***Surplus Revenue Fund.*** After making the deposits to the Interest Fund and Principal Fund, the Trustee, on or before the Business Day immediately preceding each Principal Payment Date, will deposit any remaining Revenues in the Surplus Revenue Fund. The Trustee will, immediately upon making each deposit in the Surplus Revenue Fund, determine if any moneys then in the Surplus Revenue Fund are required for the payment of principal of or interest on the 2013 Bonds on such Principal Payment Date, and will hold any such moneys in the Surplus Revenue Fund for transfer to the Interest Fund or the Principal Fund as so needed. Except as provided above, moneys in the Surplus Revenue Fund will be paid to, or at the direction of, the City within 60 Business Days after each Principal Payment Date.

(d) ***Insurance and Eminent Domain Proceeds Fund.*** The net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee will be

deposited in the Insurance and Eminent Domain Proceeds Fund and applied as set forth in the Indenture.

Base Rental Payments

Requirement to Make Base Rental Payments. Under the Property Lease, the City is required to pay to the Authority, as Base Rental for the use and occupancy of the Leased Property (subject to the provisions of the Property Lease concerning the extension of the lease term, fair rental value, rental abatement and eminent domain) the amounts at the times specified in and in accordance with the Base Rental Payment Schedule set forth in the Property Lease.

Base Rental will be payable on each "Base Rental Payment Date" (defined as May 25 and November 25 of each year, beginning November 25, 2013) during the term of the Lease.

Base Rental will be for the use and occupancy of the Leased Property for the Lease Year in which such May 25 and November 25 occurs, provided that the Base Rental paid on any May 25 or November 25 will only be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. If the term of the Property Lease is extended, the payments of Base Rental will continue until such time as the Property Lease terminates in accordance with its terms.

Payment in Installments. Each installment of Base Rental payable under the Property Lease and each installment of Additional Rental (as described below) payable under the Property Lease will be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority designates.

Any delinquent installment of Base Rental payable under the Property Lease will be deposited in the Revenue Fund created under the Indenture, and, except as otherwise provided in the Property Lease, any such installment of Base Rental or Additional Rental accruing under the Property Lease which is not paid when due will bear interest at the highest interest rate on any outstanding Bond or such lesser rate as may be permitted by law.

Offsets and Credits. Notwithstanding any dispute between the Authority and the City, the City is obligated to make all rental payments when due under the Property Lease without deduction or offset of any kind and may not withhold any rental payments pending the final resolution of such dispute.

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

Additional Rental

Under the Property Lease, the City is also required pay to the Authority (but only after payment of Base Rental), as Additional Rental thereunder, such amounts as are required by the Authority for the payment of the following:

(a) All taxes, assessments or governmental charges of any type or nature charged to the Authority or affecting the Leased Property or the respective interests or estates of the Authority or the City therein, or affecting the amount available to the Authority from rentals received hereunder for the retirement of the 2013 Bonds (including taxes, assessments or governmental charges assessed or levied by any governmental agency or district having power to levy taxes, assessments or governmental charges).

(b) All reasonable administrative costs of the Authority relating to the Leased Property including, but without limiting the generality of the foregoing, salaries, wages, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the 2013 Bonds or of the Indenture or to defend the Authority and its members, officers, agents and employees.

(c) Insurance premiums for all insurance required under the Property Lease and not obtained by the City.

(d) Amounts, if any, required to be rebated by the Authority to the United States of America under the Indenture.

Fair Rental Value

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

Notwithstanding any other provision of the Property Lease, if rental payments due thereunder are abated partially for any period of time, the rental payments due for such period of time may not exceed the fair rental value of that portion of the Leased Property available for use and occupancy by the City during such period of time.

Limited Obligation

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF

TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Source of Payments; Covenant to Budget and Appropriate Funds for Lease Payments

The Base Rental payments are payable from the general fund of the City. Under the Property Lease, the City will covenant to take such action as may be necessary to include all Base Rental and Additional Rental payments due thereunder in its annual budgets and to make necessary annual appropriations for all such rental payments.

The City will deliver to the Authority and the Trustee copies of the portion of each proposed City budget relating to the payment of rentals under the Property Lease within 30 days after the first publication of notice of hearing thereof and of the portion of the appropriation ordinance relating to the payment of rentals under the Property Lease within 30 days after its filing or adoption.

These covenants will be deemed to be and be construed to be duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements agreed to be carried out and performed by the City in the Property Lease.

Abatement

General. During any period in which by reason of material damage to or destruction of the Leased Property, or condemnation of or defects in the title of the Leased Property, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, or the City is otherwise not able to use or enjoy the benefit of the Leased Property, rental payments due under the Property Lease will be abated proportionately.

Under the Property Lease the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Property Lease by virtue of any such interference or lack of use and the Property Lease will continue in full force and effect.

Subject to the provisions of the Property Lease concerning fair rental value, in the case of abatement relating to the Leased Property, the amount of abatement will be in that proportion which the value of that portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. The City will calculate such abatement and will provide the Authority and the Trustee with a certificate setting forth such calculation and the basis therefor.

Such abatement will continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the work of repair or replacement of the Leased Property so damaged or destroyed; and the term of the Property Lease will be extended by the period during which the rental is abated thereunder, except that the term may in no event be extended beyond May 31 in the year falling 10 years after the final Lease Payment is due.

However, the City will still be obligated to apply amounts legally available to the City for payments due under the Property Lease, including without limitation: amounts available that have been deposited in and transferred from the Revenue Fund under the Indenture; amounts available from the Surplus Revenue Fund; proceeds of rental interruption insurance (as

described below); proceeds of any condemnation proceedings; and proceeds of hazard insurance, other property insurance, and title insurance.

Proceeds of Rental Interruption Insurance. Under the Property Lease the City acknowledges and agrees that during any period of abatement with respect to all or any part of the Site, the Authority will use the proceeds of rental interruption insurance maintained under the Property Lease to make debt service payments on the 2013 Bonds. See “– Property Insurance” below. However, there is no assurance that the Authority will receive proceeds of rental interruption insurance in time to make debt service payments on the 2013 Bonds when due.

No Debt Service Reserve Fund. The Indenture does not require the Authority to establish a debt service reserve fund for the 2013 Bonds; accordingly, other than the proceeds of rental interruption insurance as described above, there is no reserve for the payment of Lease Payments or debt service on the 2013 Bonds in the event of abatement.

See “BOND OWNERS’ RISKS – Abatement.”

Property Insurance

Under the Property Lease, throughout the term of the Property Lease, the City is required to maintain or cause to be maintained the following insurance coverage:

(i) General liability insurance against liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property.

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

(iii) Earthquake insurance with respect to the Leased Property unless it is not obtainable in reasonable amounts at reasonable cost on the open market from reputable insurance companies (as determined in the sole discretion of the City).

(iv) Rental income interruption insurance in an amount not less than the total Base Rental payable by the City under the Property Lease during the next succeeding 24 months, plus the Additional Rental expected to be payable under the Property Lease for such period, to insure against loss of rental income from the Leased Property caused by perils covered by the property insurance described under subsection (ii) above.

See “APPENDIX A” for further provisions regarding required insurance coverage for the Leased Property.

Condemnation Proceeds

If the entirety of the Leased Property (or portions thereof such that the remainder is not usable for public purposes by the City) is taken under the power of eminent domain, the term of the Property Lease will cease as of the day that possession is so taken.

If less than the entirety of the Leased Property is taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Property Lease will continue in full force and effect as to such remainder, and the City and the Authority waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the rental due under the Property Lease in an amount to be agreed upon by the City and the Authority, but, subject to the provisions of the Property Lease regarding fair rental value, in no event may the rental be less than the amount required for the retirement of the 2013 Bonds and the payment of the interest thereon as such Bonds and interest become due.

So long as any of the 2013 Bonds are outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof will be paid to the Trustee and applied as provided in the Indenture. Any such award made after all of the rentals have been fully paid, or provision therefor made, will be paid to the Authority and to the City as their respective interests may appear.

CITY FINANCIAL INFORMATION

General

The City of Beverly Hills is located in Los Angeles County approximately ten miles west of downtown Los Angeles. The City was originally incorporated on January 28, 1914, and developed in the 1920s and 1930s as a prestigious residential area and the site for homes of many people associated with the burgeoning motion picture industry. In 1919, Douglas Fairbanks and Mary Pickford launched this migration when they purchased a site and built their home, known as Pickfair. The postwar growth of the Los Angeles metropolitan area brought major retailing firms, financial and commercial institutions and professions to the City. Beverly Hills continues as an important retail, financial and professional center servicing an increasingly large market.

For economic and demographic information regarding the City and the County of Los Angeles, see APPENDIX D.

Budgetary Process

The fiscal year of the City begins on the first day of July of each year and ends on the thirtieth day of June of the following year. The City Manager and City staff review estimates of revenues and expenditures for each department for the ensuing fiscal year. At least 30 days prior to the beginning of each fiscal year, the City Manager submits to the Council the proposed budget. After reviewing and making such revisions as it deems advisable, the City Council determines the time for the holding of a public meeting thereon.

At the conclusion of the public meeting, the City Council further considers the proposed budget and makes any revision thereof that it deems advisable. On or before June 30 it adopts the budget with revisions, if any, by the affirmative vote of at least a majority of the total members of the City Council.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named, provided that the City Manager may transfer the appropriations from one object or purpose to another within the divisional budget. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, and at such other times as it shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

Financial Statements

A copy of the most recent financial statements of the City audited by Mayer Hoffman McCann P.C. (the "Auditor") are included hereto as "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012." The Auditor's letter concludes that the basic financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2012 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit work on the financial statements.

General Fund

The four major General Fund revenue sources of the City, which together will account for approximately 76% of the General Fund revenues in Fiscal Year 2012-13, are projected to be as follows:

	Percent of Total General Fund Revenues
Property Tax	24%
Business Tax	21%
Sales Tax	14%
Transient Occupancy Tax	17%

As shown in Table 2 below, the General Fund operated at a revenue surplus (defined as revenues less expenditures before transfers and fund designations) in Fiscal Year 2005-06 through Fiscal Year 2011-12 in the following amounts:

Fiscal Year	Surplus
2005-06	\$14,675,479
2006-07	14,912,288
2007-08	24,098,668
2008-09	5,789,065
2009-10	13,241,203
2010-11	19,468,719
2011-12	19,107,423

The revenue surplus (revenues less expenditures) that remains at the end of each fiscal year is generally used for transfers or designations of funds for a particular purpose. Although the purpose of individual year end transfers, or designations can vary, some examples include setting aside monies for infrastructure, debt service payments, OPEB pay-as-you-go payments, liability reserves, and pro-actively setting aside monies for future capital replacements such as information technology, office and operational equipment, and vehicle fund. For further information on the City's transfer or designation of funds see APPENDIX B.

The City currently projects, based on unaudited actual financial results, that the General Fund will operate at a revenue surplus for Fiscal Year 2012-13 (after transfers in and transfers out) equal to approximately \$7.2 million. The City Council has adopted a Fiscal Year 2012-13 budget that includes what it believes to be conservative revenue and surplus projections, which the City anticipates will allow surplus funds to be available for transfer to capital project funds.

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

- *Table 1:* a five-year history of the City's General Fund balance sheet;
- *Table 2:* a five-year history of the City's General Fund revenues, expenditures and fund balances, and
- *Table 3:* the City's budgeted General Fund revenues and expenditures for the Fiscal Year ending June 30, 2013, projected year-end operating results, and proposed General Fund budget for the Fiscal Year ending June 30, 2014.

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

**TABLE 1
GENERAL FUND BALANCE SHEET
FISCAL YEARS ENDING JUNE 30, 2008 THROUGH JUNE 30, 2012 (AUDITED)**

	Audited Fiscal Year 2008	Audited Fiscal Year 2009	Audited Fiscal Year 2010	Audited Fiscal Year 2011	Audited Fiscal Year 2012
Assets					
Cash and investments	\$ 73,361,824	\$ 68,555,907	\$71,305,613	\$63,648,304	\$78,263,921
Accounts receivable, net	6,716,413	5,700,327	6,303,876	7,869,237	7,890,386
Interest receivable	187,397	234,799	176,035	148,239	187,854
Taxes receivable	8,054,738	11,834,069	14,126,769	13,433,929	14,174,961
Interfund receivables [1]	349,577	371,201	178,448	9,538,647	68,943
Intergovernmental receivables	3,930,408	3,817,463	3,418,130	3,655,324	6,742,668
Prepaid items	94,583	97,628	774,640	--	770,611
Advances to other funds	<u>16,040,666</u>	<u>21,276,488</u>	<u>20,207,321</u>	<u>17,882,449</u>	<u>17,758,428</u>
Total assets	<u>108,735,606</u>	<u>111,887,882</u>	<u>116,490,832</u>	<u>116,176,129</u>	<u>125,857,772</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	2,666,128	3,080,192	3,193,199	3,027,596	3,096,238
Accrued payroll	2,699,158	2,894,358	4,019,704	3,457,324	3,958,264
Interfund payables	--	2,281	--	--	--
Intergovernmental payables	531,912	872,160	1,242,880	1,640,791	1,508,598
Customer deposits	5,504,723	5,463,424	2,749,274	2,711,430	4,564,211
Deferred revenue	<u>4,029,423</u>	<u>6,134,410</u>	<u>7,720,796</u>	<u>7,354,832</u>	<u>5,521,467</u>
Total liabilities	15,431,344	18,446,825	18,925,853	18,191,973	18,648,778
Fund balances:					
Reserved for:					
Encumbrances	2,534,941	--	--	--	--
Prepaid expenses	94,583	--	--	--	--
Advances to other funds	16,040,666	--	--	--	--
Unreserved, reported in General Fund	74,634,072	--	--	--	--
Nonspendable [3]	--	24,920,411	24,369,188	24,194,752	23,581,899
Restricted [2] [3]	--	32,000,000	32,000,000	--	--
Committed [3]	--	16,364,502	16,109,814	8,480,041	10,363,227
Assigned [3]	--	957,235	3,284,204	1,447,295	3,300,000
Unassigned [3]	--	<u>19,198,909</u>	<u>21,801,773</u>	<u>63,862,068</u>	<u>69,963,868</u>
Total fund balances	93,304,262	93,441,057	97,564,979	97,984,156	107,208,994
Total liabilities and fund balances	<u>\$108,735,606</u>	<u>\$111,887,882</u>	<u>\$116,490,832</u>	<u>\$116,176,129</u>	<u>\$125,857,772</u>

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

[2] Represents funds deposited in a certificate of deposit to provide collateral for a construction loan for an office building constructed by the City at 331 Foothill Drive. Upon completion of construction, the certificate of deposit matured and the funds used as collateral, plus their interest earning, were released to the City's General Fund. The Authority used the land and constructed office building as collateral for a 15-year commercial real estate loan at an interest rate of 5.72%. The City has entered into a long-term lease purchase agreement with the Public Financing Authority for the term of and at the annual debt service cost of the loan. See "Long-Term General Fund Obligations" below.

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

Source: City of Beverly Hills.

TABLE 2
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
FISCAL YEARS ENDING JUNE 30, 2008 THROUGH JUNE 30, 2012 (AUDITED)

	Audited Fiscal Year 2008	Audited Fiscal Year 2009	Audited Fiscal Year 2010	Audited Fiscal Year 2011	Audited Fiscal Year 2012
Revenues					
Taxes, net	\$126,835,543	\$121,240,621	\$121,971,587	\$125,602,667	\$133,832,425
Licenses and permits	12,122,383	11,425,387	9,591,105	12,123,447	13,153,624
Intergovernmental	3,402,090	3,868,952	931,619	895,074	588,538
Charges for service	10,150,929	8,997,998	10,703,306	10,403,508	10,645,349
Fines, forfeitures and penalties	8,155,085	9,296,387	10,127,770	9,532,623	7,353,794
Use of money and property	7,261,336	5,963,950	5,027,482	5,883,819	5,964,184
Net change in fair value of investments	49,011	132,412	250,239	226,025	(177,197)
Miscellaneous	<u>1,748,751</u>	<u>1,168,980</u>	<u>973,399</u>	<u>863,170</u>	<u>1,404,027</u>
Total Revenues	169,725,128	162,094,687	159,576,507	165,530,333	172,764,744
Expenditures					
Current:					
General government	6,475,903	6,638,899	5,980,063	5,873,238	7,186,913
Public safety	85,618,196	87,740,840	81,184,415	81,611,388	87,666,070
Public service	18,636,198	20,440,701	18,134,453	19,542,284	20,163,084
Culture and recreation	34,896,163	41,485,182	41,036,373	38,924,616	38,511,128
Capital Outlay:	--	--	--	<u>110,088</u>	<u>130,126</u>
Total expenditures	145,626,460	156,305,622	146,335,304	146,061,614	153,657,321
Excess of revenues over expenditures	<u>24,098,668</u>	<u>5,789,065</u>	<u>13,241,203</u>	<u>19,468,719</u>	<u>19,107,423</u>
Other financing sources (uses):					
Operating transfers in	6,000	3,406,000	1,908,400	1,906,000	2,406,000
Insurance recoveries	--	13,085	10,055	45,388	3,052
Operating transfers out	<u>(12,195,449)</u>	<u>(9,071,355)</u>	<u>(11,035,736)</u>	<u>(21,000,930)</u>	<u>(5,000,000)</u>
Total other financing sources (uses)	<u>(12,189,449)</u>	<u>(5,652,270)</u>	<u>(9,117,281)</u>	<u>(19,049,542)</u>	<u>(9,882,585)</u>
Excess of revenues and other sources over expenditures and other uses	<u>11,909,219</u>	<u>136,795</u>	<u>4,123,922</u>	<u>419,177</u>	<u>9,224,838</u>
Fund balances, July 1	81,395,043	93,304,262	93,441,057	97,564,979	97,984,156
Fund balances, June 30	\$93,304,262	\$93,441,057	\$97,564,979	\$97,984,156	\$107,208,994

Source: City of Beverly Hills.

The City anticipates that the City Council will consider the Fiscal Year 2013-14 budget before June 30, 2013.

**TABLE 3
GENERAL FUND
BUDGETED REVENUES AND EXPENDITURES
FISCAL YEAR ENDING JUNE 30, 2013**

	2012-13 Budgeted Amounts Original	2012-13 Projected Amounts	2012-13 Variance with Final Budget Over (Under)	2013-14 Budgeted Amounts Original
Revenues:				
Taxes:				
Business	\$36,150,000	\$37,000,000	2.35%	\$37,900,000
Property	39,569,000	42,530,000	7.48%	43,675,000
Sales	23,690,000	25,200,000	6.37%	26,080,000
Transient occupancy	28,943,000	30,600,000	5.73%	32,063,000
Other	865,000	1,000,000	15.61%	1,000,000
Licenses and permits	13,174,100	13,500,000	2.47%	14,245,700
Intergovernmental	3,970,400	4,000,000	0.75%	4,930,000
Charges for services	9,474,500	9,700,000	2.38%	9,880,500
Fines, forfeitures and penalties	8,544,800	7,560,000	(11.53%)	7,500,000
Use of money and property	5,797,500	5,211,000	(10.12%)	5,980,600
Miscellaneous	858,500	650,000	(24.29%)	767,000
Total Revenues:	171,036,800	176,951,000	3.46%	184,021,800
Expenditures:				
Policy & Management	407,500	385,000	(5.52%)	407,500
Administrative Services	985,600	947,867	(3.83%)	1,073,900
Police	51,468,400	50,560,000	(1.76%)	54,379,200
Fire	32,514,300	32,100,000	(1.27%)	33,788,600
Community Development	11,774,400	11,350,000	(3.60%)	11,687,000
Public Works	14,673,200	14,448,033	(1.53%)	14,788,700
Community Services	43,329,600	43,000,000	(0.76%)	41,474,400
Non-Departmental	3,482,300	3,350,000	3.80%	3,482,200
Tourism & Economic Development	3,664,700	3,664,700	0.00%	5,111,000
Centennial Activities	250,000	250,000	0.00%	250,000
Total Expenditures:	162,550,000	160,055,600	(1.53%)	166,442,500
Budget Balance:	\$8,486,800	\$16,895,400	99.08%	\$17,579,300
Transfer In:	2,506,000	\$406,000	(83.80%)	306,000
Transfer Out:	10,090,100	10,090,100	0.00%	12,653,100
Change in Fund Balance:	\$902,700	\$7,211,300	698.86%	\$5,232,200

Source: City of Beverly Hills.

Management's Discussion and Analysis

One key change resulting from the adoption of GASB Statement No. 34 (promulgated by the Governmental Accounting Standards Board) is the inclusion of management's discussion and analysis as required supplementary information. See "APPENDIX B" for a full presentation of management's discussion and analysis for the most recent fiscal year.

Summary of Tax Revenues

The table below presents a 10-year summary of tax revenues received by the City.

**TABLE 4
HISTORY OF TAX REVENUES
FISCAL YEARS 2002-03 THROUGH 2011-12**

Fiscal Year	Property Tax	Sales Tax	Business Tax	Transient Occupancy Tax	Other Taxes	Total	Percent Change
2002-03	\$21,939,489	\$18,496,094	\$26,925,080	\$14,799,776	\$3,191,878	\$85,352,317	5.16%
2003-04	23,766,694	19,945,850	27,303,220	16,683,673	5,010,222	92,709,659	8.62%
2004-05	25,726,587	22,577,220	28,188,103	19,263,710	4,793,930	100,549,550	8.46%
2005-06	29,053,621	24,817,499	31,634,820	22,842,265	3,909,671	112,257,876	11.64%
2006-07	33,109,566	26,034,685	33,637,997	25,870,676	7,336,430	125,989,354	12.23%
2007-08	34,572,307	24,797,691	34,371,407	29,101,920	4,329,692	127,173,017	0.94%
2008-09	38,654,691	23,777,904	34,976,554	24,001,879	4,132,321	125,543,349	(1.28%)
2009-10	42,859,199	19,671,342	35,481,235	23,447,458	1,793,385	123,252,619	(1.82%)
2010-11	41,814,780	22,052,861	33,993,715	26,594,808	3,706,048	128,162,212	3.98%
2011-12	42,905,445	23,093,786	37,011,611	29,789,182	1,032,401	133,832,425	4.42%

Source: City of Beverly Hills Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012.

There can be no assurance that allocations of tax revenues may not be affected by voter initiatives in the future. See "RISK FACTORS -- Future Initiatives."

Assessed Valuation and Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified as either "secured" or "unsecured." Secured property is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County of Los Angeles (the "County") levies a 1% property tax on behalf of all taxing agencies in the County, including the City. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the City and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

Assessed valuations in the County are established by the County Assessor, except for utility property which is assessed by the State Board of Equalization. Property is assessed at 100% of actual market value and tax rates are expressed in terms of the ratio of "full cash value" to actual market value. During each County fiscal year, property which is improved, or with respect to which a change in ownership occurs, is subject to reassessment to the then-current market value. Property that is not subject to reassessment is subject to a maximum 2% increase per year. Such increases in assessed value during each County fiscal year are compiled as the County's "supplemental roll," and supplemental taxes are levied on such increases in assessed value during the County's fiscal year.

State law currently exempts \$7,000 of the assessed value of an owner-occupied dwelling, but the City does not suffer any revenue loss because an amount equivalent to the tax on such exempt amount is paid by the State.

State law also exempts the full value of business inventories from taxation, but provides reimbursement to local agencies based on their respective shares of the revenues derived from the application of the maximum tax rate, adjusted to reflect changes in population and the consumer price index. Since the 1984-85 County fiscal year, the reimbursement for the business inventory exemption has been consolidated into the State motor vehicle in-lieu fee revenue, which currently more than restores the revenue lost through the business inventory exemption.

Tax Levies, Collections and Delinquencies

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll becomes tax delinquent on June 30. Such property may thereafter be prepaid by payment of the delinquent taxes plus the delinquency penalty, plus a prepayment penalty of one and one-half percent per month to the time of prepayment. If taxes remain unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

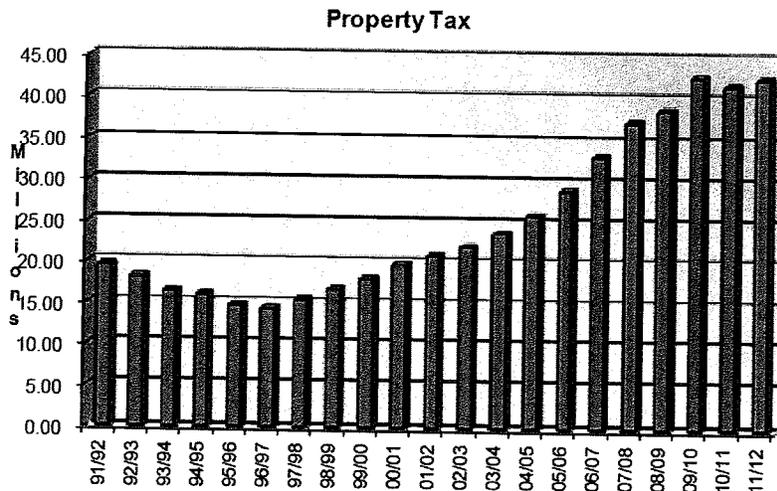
Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer, (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvements or possessory interests, belonging or assessed to the taxpayer.

Each county levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property located within that county's taxing boundaries. The County has not established a property tax distribution program commonly referred to as the "Teeter Plan." Taxes are distributed to taxing agencies within the County on the basis of actual tax collections rather than on the basis of tax levy.

Property Tax Revenues

The graph illustrates how property tax revenues respond to economic conditions. In Fiscal Year 1991-92, the State and nation were in a period of slight economic recovery similar to our current circumstance. As the chart illustrates, property taxes did not respond to this economic trend as rapidly as other tax based revenues. Fiscal year 2011-12 saw property tax revenues increase to \$42.9 million, a 2.61% increase over the prior year.

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



See "BOND OWNERS' RISKS – Property Taxes" for additional information relating to taxation and collection of taxes.

The following table presents information regarding the assessed valuation of property within the City based on the Taxpayer's Guide compiled by the County Auditor-Controller.

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

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Home Owner Exemptions	Net Assessed Value	Estimated Actual Value	Ratio of Net Assessed Value to Estimated Actual Value
1996-97	\$ 8,392,848,000	\$ 315,121,000	\$ 37,605,000	\$ 8,670,364,000	\$ 8,707,969,000	99.57%
1997-98	8,411,686,000	308,970,000	37,604,000	8,683,052,000	8,720,656,000	99.57
1998-99	8,734,770,000	350,126,000	37,377,000	9,047,519,000	9,084,896,000	99.59
1999-00	9,803,770,000	372,665,000	37,047,000	10,139,388,000	10,176,435,000	99.64
2000-01	10,562,377,726	414,388,951	36,727,600	10,940,039,077	10,976,766,677	99.67
2001-02	11,458,425,101	418,296,255	36,436,400	11,840,284,956	11,876,721,356	99.69
2002-03	12,045,395,152	409,001,238	36,428,000	12,417,968,390	12,454,396,390	99.71
2003-04	12,797,945,339	398,885,451	36,197,000	13,160,633,790	13,196,830,790	99.73
2004-05	13,678,028,419	438,688,276	36,335,600	14,080,381,095	14,116,716,695	99.74
2005-06	14,966,672,240	424,717,447	36,086,400	15,355,303,287	15,391,389,687	99.77
2006-07	16,239,966,588	451,072,766	35,728,000	16,655,311,354	16,691,039,354	99.79
2007-08	17,690,479,457	543,352,271	35,725,200	18,198,106,528	18,233,831,728	99.80
2008-09	19,813,776,889	567,725,139	35,618,800	20,345,883,228	20,381,502,028	99.83
2009-10	21,055,787,380	578,769,365	35,515,200	21,599,041,545	21,634,556,745	99.84
2010-11	20,534,364,962	541,088,467	35,105,000	21,040,348,429	21,075,453,429	99.83
2011-12	20,811,830,307	515,563,539	34,384,000	21,293,009,846	21,327,393,846	98.84
2012-13	21,852,728,330	513,407,389	33,534,400	22,332,601,319	22,366,135,719	99.85

Source: City of Beverly Hills, based on Taxpayers' Guide compiled by the Los Angeles County Auditor-Controller's Office.

The following table provides a list of the principal property taxpayers within the City for Fiscal Year 2012-13.

**TABLE 6
PRINCIPAL SECURED PROPERTY TAXPAYERS
FISCAL YEAR 2012-13**

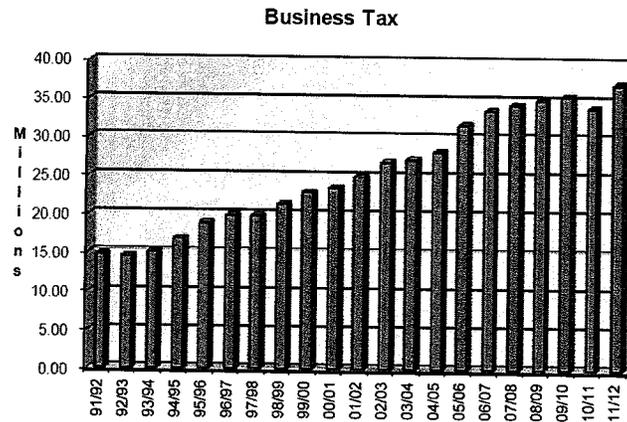
Rank	Owner Name	Secured Land Use	Secured Taxable Value	Unsecured Taxable Value	Combined Taxable Value	Percent of Total
1	Douglas Emmett LLC	Office Building	\$416,038,100	\$74,118	\$416,112,218	1.85%
2	Beverly Hills Luxury Hotel LLC	Vacant Residential	295,930,427	2,053	295,932,480	1.32
3	Sloane Two Rodeo LLC	Shopping Center	266,666,221	11,600	266,677,821	1.19
4	Sajahtera Inc.	Hotel	241,052,339	0	241,052,339	1.07
5	B W Hotel LLC	Hotel	182,966,217	0	182,966,217	0.82
6	Trea Wilshire Rodeo LLC	Store And Office	169,200,000	0	169,200,000	0.75
7	Beverly Wilshire Owner LP	Office Building	162,539,934	0	162,539,934	0.72
8	BH Wilshire Intl. LLC	Department Stores	151,266,000	0	151,266,000	0.67
9	Maple Plaza LP	Office Buildings	143,253,093	0	143,253,093	0.64
10	Oasis West Realty LLC	Hotel	139,793,652	0	139,793,652	0.62
	Subtotal, Top 10:		\$2,168,705,983	\$87,771	\$2,168,793,754	9.66%
	Total, City-wide:		\$21,930,593,672	\$513,407,389	\$22,444,001,061	100.00%

Source 2012-13 County Assessor Data, compiled by Muniservice, LLC.

Business Tax Revenues

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

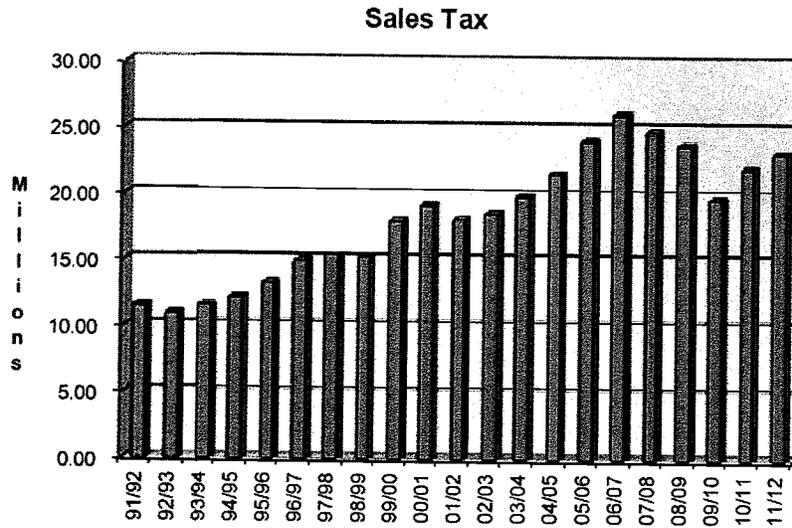
As the chart illustrates, business taxes have been a barometer of the economic climate in the City, responding rapidly to the changing economic climate. Vacant office and retail space, which reflect revenue from real estate rentals, and a reduction in retail sales negatively impacted business tax revenues in Fiscal Year 2010-11. Business Taxes for Fiscal Year 2011-12 ended with an increase of 8.9% for total revenues of \$37.0 million.



Sales Tax Revenues

Sales tax revenue responds much faster to changing economic conditions than property tax. As the accompanying chart shows, sales tax revenue responded almost immediately to the economic downturn of the early 1990s and the terrorist events of September 2001. From Fiscal Year 1991-92 through Fiscal Year 1992-93, sales tax revenue declined at the rate of about 6.3%. In Fiscal Year 1993-94 sales tax revenues began responding to local economic improvements and continued that growth until September of 2001. We finally began seeing a rebound from the 9/11 incident in Fiscal Year 2003-04.

Sales tax revenues ended fiscal year 2011-12 at \$23.1 million, an increase of 4.7% over fiscal year 2010-11.



12. The table below shows the largest payers of Sales Tax in the City for Fiscal Year 2011-

**TABLE 7
LARGEST SALES TAX PAYERS
(Listed Alphabetically)
FISCAL YEAR 2011-12**

- 14 Karats
- Audi Beverly Hills
- Barney's of New York
- Beverly Hills Porsche
- Beverly Wilshire Restaurant
- Cartier
- Chanel Boutique
- Daimler Chrysler Financial
- Ferrari of Beverly Hills
- Financial Services Vehicle Trust
- Gearys
- Hermes of Paris
- Lexus of Beverly Hills
- Louis Vuitton
- Mastro's Steakhouse
- Mercedes-Benz of Beverly Hills
- Neiman Marcus Department Store
- O'gara Coach Company
- Porsche Leasing
- Prada
- Saks Fifth Avenue

The Beverly Hills Hotel
The Beverly Hilton
Tiffany & Company
Tom Ford

Source: City of Beverly Hills.

Transient Occupancy Tax Revenues

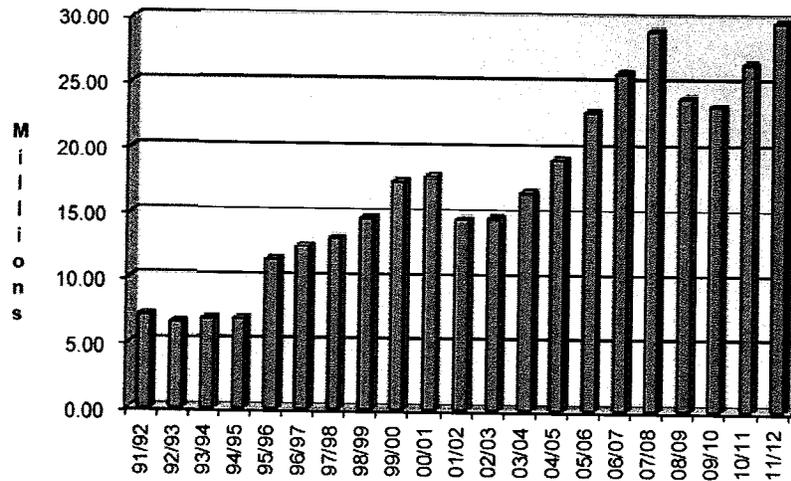
As a business, resort and tourist destination, the City receives a sizable portion of its revenues from Transient Occupancy Tax (hotel bed tax). Like Sales Tax, Transient Occupancy Tax revenues responded almost immediately to the changing economy. Also like Sales Tax, Transient Occupancy Taxes recovered completely from the effects of September 11, and grew at record rates through Fiscal Year 2007-08, when they reached \$29.1 million.

The variations in the Transient Occupancy Tax beginning in Fiscal Year 1992-93 are due to hotel closures and tax rate changes. Two world-class hotels, The Beverly Hills Hotel and the L'Ermitage, were closed for refurbishment in Fiscal Year 1992-93. The Beverly Hills Hotel had its reopening in June of Fiscal Year 1994-95. The L'Ermitage had its grand opening in June 1998.

In Fiscal Year 1991-92, the City raised the transient occupancy tax rate from 11% to 12% to improve revenues and remain consistent with surrounding communities. In February 1994, the City Council, at the urging of the Chamber of Commerce and the City's hotel operators, voted to increase the transient occupancy tax rate from 12% to 14% to fund local advertising/promotion campaigns. From that point until the terrorist activities of September 2001, transient occupancy taxes experienced steady growth. From \$17.8 million in revenues in Fiscal Year 2000-01, transient occupancy taxes fell about 18% to \$14.6 million in Fiscal Year 2001-02 and rebounded only slightly to \$14.8 million in Fiscal Year 2002-03. Revenue for Fiscal Year 2003-04 increased 12.7% to recover some of their prior strength and end the year at about \$16.7 million. Fiscal Year 2004-05 and 2005-06 had increases of 15.5% (\$2.6 million increase for total revenues of \$19.26 million) and 18.58% (\$3.6 million increase for total revenues of \$22.8 million) respectively, far greater than anticipated and back on track to pre-9/11 growth. Fiscal Year 2007-08 exceeded all records and was far greater than anticipated at \$29.1 million (a 12.48% increase). In November 2008 the City's newest five-star hotel, Montage, began operations. As a result of the current economic cycle, Fiscal Year 2008-09 revenue fell 17.53% to \$24.0 million and Fiscal Year 2009-10 continued the declining to \$23.4 million, 2.5% down.

During Fiscal Year 2011-12 transient occupancy tax improved significantly, ending the year up 12.0% at \$29.8 million.

Transient Occupancy Tax



State Budget and its Impact on City Finances

The State of California is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State’s financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

However, as described above, State finances generally have little effect on the City’s general fund, as approximately 75% of the City’s general fund revenue come from property taxes, business taxes, sales taxes and transient occupancy taxes. See “– General Fund” above. Revenues from the State represented only 0.6% of the City’s total general fund revenues during Fiscal Year 2011-12.

Information on Current State Budget Difficulties. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State’s website, where recent official statements for State bonds are posted.

The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated in this Official Statement by reference.

The California State Treasurer’s Internet home page at www.treasurer.ca.gov, under the heading “Financial Information,” posts the State’s audited financial statements. In addition, the “Financial Information” section includes the State’s Rule 15c2-12 filings for State bond issues. The “Financial Information” section also includes the “Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation” from the State’s most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance’s Internet home page at www.dof.ca.gov, under the heading “California Budget,” includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office the ("LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

2012-13 State Budget. On June 15, 2012, the Legislature passed a \$92 billion General Fund State Budget (the "**Fiscal Year 2012-13 State Budget**") that closed the State's remaining \$15.7 billion deficit and rebuilt a \$1 billion General Fund reserve, contingent upon passage of the Governor's proposed revenue-generating initiatives at the November 2012 election.

The Fiscal Year 2012-13 State Budget relied on \$6 billion of additional revenue, which if not realized, will automatically cause \$6 billion in Trigger Cuts to occur, which is \$2 billion greater than the possible Trigger Cuts contained in the Fiscal Year 2011-12 State Budget. \$5.9 billion of the planned Trigger Cuts will affect public education funding in the State (with \$5.4 billion of Trigger Cuts affecting future Proposition 98 funding, and the University of California and Cal State systems each experiencing \$250 million in Trigger Cuts). The 2012-13 Budget also contains reductions in expenditures from prior years spending totaling \$8.1 billion, including reductions caused by elimination of the Healthy Families program and by reforms relating to the CalWORKs, Medi-Cal, Judiciary and Cal Grant programs. The Fiscal Year 2012-13 State Budget expects \$1.5 billion in savings will be generated as the result of the transfer of cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services and to schools to offset State General Fund costs. An additional \$1.9 billion in savings will arise due to prepayment of the State's Proposition 98 funding as required by a court settlement. Governor Brown signed the Fiscal Year 2012-13 Budget on June 27, 2012.

Proposition 30. The 2012-13 State Budget relied upon the Schools and Local Public Safety Protection Act, a \$6.9 billion tax increase approved by California voters at a regular election in November 2012 ("**Proposition 30**"). Proposition 30 enacted temporary increases on high-income earners, raising income taxes by up to three percent on the wealthiest Californians for seven years and increase the state sales tax by \$.0025 for four years, and averted \$5.9 billion of planned Trigger Cuts that would have affected public education funding in the State. The 2012-13 State Budget also contained reductions in expenditures from prior years spending totaling \$8.1 billion.

2013-14 State Budget. On January 10, 2013, Governor Brown presented his Proposed State Budget for the 2012-13 Fiscal Year (the "**2013-14 State Budget**"), the first balanced budget presented in many years. The 2013-14 State Budget proposes a multiyear plan that is balanced, maintains a \$1 billion reserve, and pays down budgetary debt from past years. Overall State General Fund spending is projected to grow by 5%, from \$93 billion in Fiscal Year 2012-13 to \$97.7 billion in Fiscal Year 2013-14. The vast majority of the spending growth is in education and health care. Under the 2013-14 State Budget, funding levels for K-12 schools will increase by almost \$2,700 per student through 2016-17, including an increase of more than \$1,100 per student in 2013-14 over 2011-12 levels, which increased funding is tied to new accountability measures. Funding is also increased for the University of California and California State University higher education systems. The 2013-14 Budget includes a \$350 million allocation from the State's General Fund to begin to pay for the implementation of federally-required expansions of State health care coverage.

The execution of the Fiscal Year 2013-14 State Budget, if adopted as proposed, may be affected by numerous factors, including but not limited to: national, State and international economic conditions, litigation risk associated with proposed spending reductions, failure to

generate expected savings as a result of the transfer of cash assets previously held by redevelopment agencies and other factors, all or any of which could cause the revenue and spending projections made in the proposed Fiscal Year 2013-14 State Budget to be unattainable. The City cannot predict the impact that the Fiscal Year 2013-14 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the City cannot predict the accuracy of any projections made in the Fiscal Year 2013-14 State Budget.

Future State Budgets. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Decrease in such revenues may have an adverse impact on the City's ability to pay Lease Payments.

City Investments

Investment Policy. The City Council annually adopts, by resolution, a statement of investment policy (the "Investment Policy") for the City's funds. The Investment Policy defines the objects and priorities of the investment program, stressing safety and liquidity of funds, as the highest priority. The third priority stated by the Investment Policy is the achievement of the maximum yield possible within the constraints of the primary objectives.

The Investment Policy permits investment in repurchase agreements in an amount not to exceed \$10 million, and only with primary dealers of the Federal Reserve Bank of New York, for a period not greater than seven days, and for which the market value of the collateral is not less than the greater of 102% of the funds borrowed against the securities taken by the City as collateral and the sum of the funds borrowed against the securities plus accrued interest.

The Investment Policy permits investment in reverse repurchase agreements only in amounts up to \$10 million, with primary dealers of the Federal Reserve Bank of New York with which the City has a current safekeeping agreement. The City may not use as underlying securities in reverse repurchase agreements any security the City has not fully owned and paid for at least 30 days prior to the reverse repurchase transaction date. A maximum of 10% of the general portfolio may be reversed at any time, the face value of the collateral is to equal the proceeds received, and the term of the transaction may not exceed 92 days unless a written agreement is in place guaranteeing the minimum earning spread for the entire period of the sale of the security.

The Investment Policy explicitly recognizes the high degree of risk involved in investment in derivative products, and permits investment in derivatives only upon resolution of the City Council acting on advice of the City Treasurer, only for specific financing purposes, and not in the normal course of managing the portfolio. For each derivative investment the City must provide a written statement of purpose and objective for the derivative, establish written monitoring procedures for the derivative, have sufficient expertise and technical resources to oversee derivative programs, provide sufficiently detailed record keeping systems to allow governing bodies, auditors and examiners to determine if the program is functioning in accordance with established objectives, fully disclose the use of any derivative instruments in all official statements and other disclosure documents, and be aware of any conflicts of interest involving the broker or dealer with whom the City is anticipating dealing.

The City Treasurer is charged with the responsibility of custody and investment of surplus City funds. The City Treasurer is required to submit a monthly investment report to the City Council that provides a summary of the status of the current investment portfolio and material transactions entered into during the month.

Investment Portfolio. A summary description of the City's investment portfolio as of November 30, 2012 is set forth below.

**TABLE 8
INVESTMENT PORTFOLIO
As of November 30, 2012**

Issuer / Investment Type	Reported Amount	Percent of Total
Money Market	\$39,590,907	12.36%
LAIF	25,993,577	8.12
U.S. Agencies	172,924,786	53.99
California Statewide Communities Development Authority	17,043,835	5.32
Commercial Paper	64,733,557	20.21
Total Portfolio	320,286,662	100.00%

Source: City of Beverly Hills.

Long-Term General Fund Obligations

The City, as a matter of discretion rather than legal obligation, has allocated a portion of such total long-term indebtedness to the Water Enterprise Fund and to the Parking Facilities Enterprise Fund, and is currently paying allocable debt service from those funds.

The following table summarizes the total principal amount of long-term indebtedness (including financing leases) payable from the City's general fund.

**TABLE 9
LONG-TERM DEBT AND LEASE OBLIGATIONS
PAYABLE FROM GENERAL FUND
As of June 30, 2012**

Description of Issue	Principal Outstanding [1]	Final Maturity
Lease Revenue Bonds, 2003 Refunding Series A [2]	\$18,653,116	June 1, 2015
2008 Construction Loan [3]	29,939,602	Dec. 2025
2009 Lease Revenue Bonds	55,398,553	June 1, 2021
2010 Lease Revenue Bonds	17,926,316	June 1, 2025
2012 Lease Revenue Refunding Bonds	43,114,780	June 1, 2037

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

[2] To be defeased and refunded with a portion of the proceeds of the 2013 Bonds. See "FINANCING PLAN."

[3] On January 26th, 2009 the Authority entered into an agreement with City National Bank to borrow against a line of credit up to an amount of \$32,000,000 for the construction of a 72,460 square-foot four-story office building at 331 N. Foothill Road in the City. The line of credit was drawn down through December of 2010, when the City converted the line of credit into a long-term obligation with a term of 15 years and an interest rate of 5.72%. Interest and principal are payable in the amount of \$265,217 per month. As of June 30, 2012, the amount borrowed against the line of credit is \$32,000,000. Further, as of June 30, 2012, the balance of the note payable was \$29,939,602. See Table 1, footnote 1, above.

Source: City of Beverly Hills.

Direct and Overlapping Bonded Debt

The following table presents a statement of the City's outstanding direct and overlapping debt as of June 30, 2012.

**TABLE 10
CITY OF BEVERLY HILLS
DIRECT AND OVERLAPPING BONDED DEBT**

Jurisdiction	Gross Debt ²	Net Assessed Valuation ³	Amount of Gross Debt Applicable to the City ²		Total Direct And Overlapping Debt	Gross Debt Applicable to the City
			Direct	Overlapping		
City of Beverly Hills ¹	\$ 140,657,377	21,292,709,846	140,657,377	1,406,574	142,063,951	100.000%
Beverly Hills Unified School District	180,084,540	21,236,332,327	—	179,699,159	179,699,159	99.786
Los Angeles Unified School District	11,279,905,000	444,525,661,464	—	2,707,177	2,707,177	0.024
Los Angeles Community College District	3,504,910,000	578,203,325,574	—	142,509,641	142,509,641	4.066
County of Los Angeles	1,474,122,758	1,070,532,224,196	—	33,875,341	33,875,341	2.298
Los Angeles County Flood Control District	37,195,000	1,028,351,673,809	—	857,717	857,717	2.306
County Sanitation District No. 4 Authority	2,944,116	Direct Assessment	—	78,549	78,549	2.668
Mountains Recreation/Conservation Authority	11,965,000	Direct Assessment	—	96	96	0.001
\$	16,631,783,791		140,657,377	361,134,254	501,791,631	

1. The City of Beverly Hills gross debt excludes compensated absences, outstanding claims and amounts to be repaid from revenues of enterprise funds.

2. Source - MuniServices, LLC

3. Source - Taxpayers' Guide compiled by the Los Angeles County Auditor-Controller's Office.

Employees and Labor Relations

A historical summary of City employment levels is set forth below.

**TABLE 11
EMPLOYMENT LEVELS
FISCAL YEARS 2006-07 THROUGH 2012-13**

Fiscal Year	Permanent Full Time	Seasonal and Part Time
2006-07	616	224
2007-08	691	252
2008-09	772	396
2009-10	728	402
2010-11 [1]	704	160
2011-12	681	181
2012-13	694	170

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

Source: City of Beverly Hills.

The City, pursuant to Government Code Section 3500, provides for a “meet and confer” process with City employees, individually or collectively, to negotiate wages, hours and working conditions. Matters involving merits, necessity or organization of any service or activity provided for by law are excluded from this process. Executive and confidential employees are not represented by a formal bargaining unit.

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

<u>Bargaining Group</u>	<u>Expiration Date</u>
Safety Support Association	October 4, 2013
Confidential Association	October 5, 2013
Management & Professional Employees Association	October 5, 2013
Municipal Employees Association	October 5, 2013
Supervisors	October 5, 2013
Municipal Employees Association – Part Time Unit	June 30, 2015
Beverly Hills Firemen’s Association	October 5, 2015
Police Management Association	October 6, 2016
Police Officers’ Association	October 6, 2016

The City has begun negotiations with five bargaining groups for new agreements. This process is projected to be completed before the current agreements with these associations expire in October of 2013.

The City successfully negotiated new agreements with the Beverly Hills Firemen’s Association, the Police Management Association and the Police Officers’ Association, which included the elimination of City-paid retiree medical benefits for new Safety hires and an employee-paid contribution to the CalPERS pension benefit.

Generally, all terms and conditions of labor agreements continue in full force and effect until further modified through the negotiation process.

The City has never experienced a work stoppage by its employees.

Insurance

The City has initiated self-insurance programs to provide for general liability, workers' compensation claims and unemployment insurance claims. These activities are accounted for in the self-insurance internal service funds which are accounted for as a proprietary fund type. Self-insurance fund revenues are primarily premium charges to other City operating funds and are planned to match estimated payments resulting from self-insurance programs, operating expenses and reinsurance premiums. The self-insurance fund expenses the estimated liability for claims in cases where such amounts are reasonably determinable and where liability is probable. Additionally, an estimate has been accrued for claims incurred but not reported.

The City is self-insured for all workers' compensation claims and up to \$1,000,000 for all general liability claims. General liability claims in excess of \$1,000,000 up to \$35 million are also covered by an excess liability insurance policy.

Employee Retirement Systems and Deferred Compensation Plans

This section is derived from the notes to the City's audited financial statements.

Defined Benefit Pension Plan

Retirement Plan Description. The City's defined benefit pension plan, Beverly Hills Public Employees' Retirement Plan (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System ("CalPERS"), an agent multiple employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance.

CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

All full-time employees of the City are eligible to participate in the Plan. Part-time employees appointed to a term of one year or longer and who work at least 1,000 hours per year are also eligible to participate. Other part-time non-benefited hourly employees do not participate in the Plan. (Effective January 1, 1992, such part-time employees participate in Social Security.) Related benefits vest after five years of service. Upon five years of service, employees who retire at or after age 50 are entitled to receive an annual retirement benefit.

Funding Policy. The funding policies City's defined benefit pension plans are described below.

Police Officers' Association and Police Management Association Defined Benefit Pension Plan. Until December 31, 2015, the City is required to pay an amount equal to 9% of the individual gross salaries of police personnel to CalPERS on behalf of such personnel members in lieu of their individual retirement contribution obligation.

Effective January 1, 2016, employees will be required to pay 1% of their gross salary towards the member contribution to CalPERS, and the City will be required to pay an amount equal to 8% of the individual gross salaries of police personnel to CalPERS on behalf of such personnel members in lieu of their individual retirement contribution obligation. The City will pick up (pursuant to Internal Revenue Code Section 414(h)(2)) the amount of the employee-paid member contribution to enable the employee's taxable income to be reduced by the amount of the employee-paid contribution.

Effective January 1, 2014, in accordance with Section 20156(f) of the California Government Code, employees will be required to pay to CalPERS on a pre-tax basis pursuant to a cost-sharing arrangement to fund the retirement formulas described above an amount equal to 1% of their gross salaries. Effective January 1, 2015, the employees' contribution will be increased by an additional 2% of gross salaries, for a total of 3% of their gross salaries.

For Employees hired before July 1, 2012, the City provides for the 3% at 50 retirement formula set forth in California Government Code Section 21362.2 for all current sworn police personnel. New employees are subject to the defined benefit plans outlined in AB 340 and AB 197.

The City amended its contract with CalPERS to provide for retirement benefits based on the highest annual average compensation earnable during the three consecutive years of employment for employees hired on or after July 1, 2012. The City's contract with CalPERS provides for the "Single Highest Year" retirement benefit for current sworn police personnel hired prior to July 1, 2012 pursuant to California Government Code Section 20042.

Beverly Hills Firemen's Association Defined Benefit Pension Plan. Until June 30, 2013, the City will be required to pay an amount equal to 9% of the employee's pensionable income (the required employee's contribution) to CalPERS on behalf of each employee.

Effective July 1, 2013, employees will be required to pay 1% of their gross salary towards the member contribution to CalPERS. Effective July 1, 2014, employees will be required to pay an additional 1% for a total of 2% of their gross salary towards the member contribution to CalPERS. Effective July 1, 2015, employees will be required to pay an additional 1% for a total of 3% of their gross salary towards the member contribution to CalPERS.

The City's contract with CalPERS provides for the 3% at 50 formula set forth in California Government Code section 21362.2 for all fire personnel hired before March 1, 2012, or as soon thereafter as the City is able to amend its contract with CalPERS. The maximum benefit for safety employees is 90% of their final salary; there is no maximum for miscellaneous employees. The Plan also provides death and disability benefits. New employees are subject to the defined benefit plans outlined in AB 340 and AB 197.

The City amended its contract with CalPERS to provide for the 3% at 55 retirement formula set forth in California Government Code section 21363.1 for employees hired on or after July 1, 2012, or as soon thereafter as possible when the City is able to amend its contract with CalPERS. The maximum benefit for safety employees is 90% of their final salary; there is no maximum for miscellaneous employees. The Plan also provides death and disability benefits.

The City's contract with the CalPERS provides the "Single Highest Year" compensation period retirement benefit for fire personnel hired before July 1, 2012 (or the soonest date following the City's amendment of its contract with CalPERS) pursuant to Government Code section 20042. Retirement benefit is based on the highest annual compensation for the one year during the employee's membership in CalPERS.

The City amended its contract with CalPERS to provide for retirement benefits based on the highest annual average compensation earnable during the three consecutive years of employment immediately preceding the effective date of his or her retirement for employees hired on or after July 1, 2012. New employees are subject to the defined benefit plans outlined in AB 340 and AB 197.

Remaining Full-Time Association's Defined Benefit Pension Plan. The City contracts with CalPERS to provide the 2.5% at 55 retirement formula set forth in California Government Code section 21354.4. The City pays the 8% required employees' contribution to CalPERS on behalf of each employee.

The City's contract with the CalPERS provides for the "Single Highest Year" final compensation period for Employees, per Government Code Section 20042.

The City is under contract with CalPERS, which provides level 4 coverage under the 1959 Survivor's Benefit, per Government Code section 21574.

The City's contract with CalPERS provides the Pre-Retirement Optional Settlement 2 Benefit as set forth in Government Code § 21548 for Employees.

New employees are subject to the defined benefit plans outlined in AB 340 and AB 197.

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2012 was 31.808% for safety members and 13.971% for miscellaneous employees. The contribution requirements of the Plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost. For the year ended June 30, 2012, the City's actual contributions were \$9,549,099 for the safety employees and \$6,131,249 for miscellaneous employees. The City also contributed \$2,431,888 on behalf of the safety employees and \$2,978,183 on behalf of miscellaneous employees. Miscellaneous part-time employees directly contributed \$301,784. Total contributions were \$21,392,203.

The required contribution for the year ended June 30, 2012, was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included the following:

- (a) 7.50% investment rate of return (net of administrative expenses);
- (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.30% to 14.20% for safety members), and
- (c) 3.30% cost-of-living adjustment.

Both (a) and (b) include an inflation component of 2.75%.

The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses.

Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over a 30-year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

As of the actuarial valuation date of June 30, 2011 (for 2011-12 employer rates), the average remaining amortization periods were 21 and 32 years for miscellaneous and safety members, respectively.

However, a temporary change to the asset smoothing method was adopted by the CalPERS Board in June 2009 to phase in the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-09. The change increased the corridor limits for the actuarial value of assets from 80% - 120% to 60% - 140% of market value on June 30, 2009, and over three years will reduce the corridor limits back to the initial percentages.

On April 17, 2013, CalPERS announced the approval of new actuarial policies, which will go into effect starting with fiscal year 2015-16. The new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses. The amortization would have a five-year ramp-up of rates at the start and a five-year ramp-down at the end.

Three-Year Trend Information for the Plan

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	13,868,520	11,228,842	10,759,326
Miscellaneous Pension Plan Portion	5,422,797	4,122,636	3,921,030
Safety Pension Plan Portion	8,445,723	7,106,207	6,838,296
Interest on Net Pension Asset	902,156	945,323	1,047,925
Miscellaneous Pension Plan Portion	352,756	347,073	381,896
Safety Pension Plan Portion	549,400	598,251	666,029
Adjustment to the ARC	1,391,546	1,403,375	1,503,300
Miscellaneous Pension Plan Portion	544,115	515,245	547,849
Safety Pension Plan Portion	847,431	888,130	955,451
Annual Pension Cost (APC)	14,357,911	11,686,894	11,214,701
Miscellaneous Pension Plan	5,614,156	4,290,808	4,086,983
Safety Pension Plan	8,743,755	7,396,087	7,127,718

On June 29, 2005 and on July 15, 2005, the City made contribution payments in the amount of \$17.6 million in addition to the annual required contribution which is reflected as a net pension asset in the Government-wide Statement of Net Assets and in the proprietary fund statements. The Net Pension Asset will be amortized over 20 years in accordance with the requirements of the Governmental Accounting Standards Board Statement Number 27, Accounting for Pensions by State and Local Governmental Employers.

As of June 30, 2011 (the most recent year for which data is available), the actuarial accrued liability and the total unfunded actuarial liability for the Plan were as follows:

	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Liability</u>
Safety Members	\$348,361,353	\$66,854,512
Miscellaneous Members	\$261,775,840	\$41,304,876

The schedules of funding progress below show the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability (UAAL) to payroll for the City's two defined benefit pension plans for Fiscal Year 2011-12. For further history of the funding progress for these defined benefit pension plans, see APPENDIX B.

Funded Status of Safety Plan Fiscal Year Ended June 30, 2012

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets) (UAAL)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
June 30, 2011	\$348,361,353	\$281,506,841	\$66,854,512	80.809%	\$26,809,837	249.366%

**Funded Status of Miscellaneous Plan
Fiscal Year Ended June 30, 2012**

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
June 30, 2011	\$261,775,840	\$220,470,964	\$41,304,876	84.221%	\$37,498,470	110.151%

As of June 30, 2011 (the date of the most recent PERS actuarial valuation), the market value of assets for the Safety Plan was \$250,501,800, and the market value of assets for the Miscellaneous Plan was \$195,152,998.

Employee Deferred Compensation Plan

The City offers an Employee Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457 to its employees, allowing them to defer or postpone receipt of income. Amounts so deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries.

The City's deferred compensation administrator, the International City Managers' Association (ICMA) qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the City's basic financial statements.

The City also offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). All amounts deferred and invested under this plan, with related interest, are the property and rights of the participating employees and, as such, are not reflected in the City's audited financial statements.

Post Employment Health Care Benefits

This section is derived from the notes to the City's audited financial statements.

General. In addition to the pension benefits described above, the City provides postretirement health care benefits in accordance with employees' respective compensation plans.

The other post employment benefit (OPEB) provisions of the compensation plans are negotiated with formally recognized bargaining units and groups not formally recognized and are adopted by City Council action. Benefit provisions are stated in the bargaining unit Memorandums of Understanding (MOUs) and may be amended during negotiations, subject to City Council approval.

The City is currently enrolled in various health care plans administered by CalPERS. The City, as a single employer of this defined benefit plan, pays retirees' CalPERS health care

premiums to the limits as stipulated in the compensation plans, as set forth in more detail in APPENDIX B.

The City's postretirement health benefits are financed on a pay-as-you-go basis and there is no required or maximum contribution rate for the City or for plan members. The City Council will set or amend contribution requirements to fund the OPEB liability as needed.

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

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

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

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

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

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

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

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

During Fiscal Year 2009-10, the employees' contractual agreements to participate in the ARMP program resulted in reducing the City's OPEB liability by a total of \$6,420,416. In

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

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

Fiscal Year Ended June 30:	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$ 4,061,000	4,095,000	4,873,000
Miscellaneous Employee Portion	1,518,000	1,530,709	1,821,525
Safety Employee Portion	2,543,000	2,564,291	3,051,475
Interest on the Net OPEB Obligation	(342,000)	337,000	264,000
Miscellaneous Employee Portion	(127,839)	125,970	98,683
Safety Employee Portion	(214,161)	211,030	165,317
ARC Adjustment	330,000	(316,000)	(237,000)
Miscellaneous Employee Portion	123,354	(118,121)	(88,590)
Safety Employee Portion	206,646	(197,879)	(148,410)
Annual OPEB Cost	<u>4,049,000</u>	<u>4,116,000</u>	<u>4,900,000</u>
Miscellaneous Employee Portion	1,513,514	1,538,559	1,831,618
Safety Employee Portion	2,535,486	2,577,441	3,068,382
OPEB contributions made	<u>(2,397,858)</u>	<u>(12,817,909)</u>	<u>(8,236,755)</u>
Increase (decrease) of Net OPEB Obligation	1,651,142	(8,701,909)	(3,336,755)
Miscellaneous Employee Portion	617,196	(3,252,770)	(1,247,277)
Safety Employee Portion	1,033,946	(5,449,139)	(2,089,477)
Net OPEB Obligation (asset) at beginning of year	<u>(6,918,474)</u>	<u>1,783,435</u>	<u>5,120,190</u>
Net OPEB Obligation (asset) at end of year	(5,267,332)	(6,918,474)	1,783,435
Miscellaneous Employee Portion	(1,968,926)	(2,586,122)	666,647
Safety Employee Portion	(3,298,405)	(4,332,351)	1,116,788
Percentage of annual OPEB cost contributed	59.22%	311.42%	168.10%

The City has set aside a total amount of \$29,040,3674. Since the money set aside has not been placed into an irrevocable trust, then based on the standards of GASB 45, the funding status of the actuarial liability is 0%. However, including the money that has been set aside in the Employee Benefits Fund, the funding status is 53%.

The actuarial accrued OPEB liability as of June 30, 2012, is \$52,688,000. The total unfunded actuarial liability is \$52,688,000. There are no assets under an actuarial valuation since the City is on a pay-as-you-go basis. The actuarial valuation date is July 1, 2011. The City's annual covered payroll is estimated to be \$71,261,000 for Fiscal Year 2011-12. The ratio of the unfunded actuarial liability to annual covered payroll is 74.0%. A schedule of funding progress is set forth in APPENDIX B.

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

The City currently provides these benefits to an average of 340 participants for the year ended June 30, 2012. Additionally, for those retirees and their covered family members who no longer qualify for the benefits detailed above, but who choose to maintain coverage, the City contributed \$108 per month from July 1, 2011, through December 31, 2011. From January 1, 2012, through June 30, 2012, the City contributed \$112. The City currently provides this benefit to 105 participants at a cost of \$138,600 for the year ended June 30, 2012. Since the City administers the OPEB plan by paying a portion of the benefits, a stand-alone financial report of the OPEB plan is not produced and all relevant disclosures are included in this section.

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

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

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

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

For employees hired after January 1, 2010, the City has contributed a total of \$54,715 as of June 30, 2012.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

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

Article XIII A of the State Constitution

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

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

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

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

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

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

The City has never exceeded its appropriations limit.

Articles XIII C and XIII D of the State Constitution

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

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

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

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

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

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the 2013 Bonds could be adversely affected.

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

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

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

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

Proposition 1A; Proposition 22

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

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

Possible Future Initiatives

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

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2013 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2013 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2013 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2013 Bonds. There can be no assurance that other considerations will not materialize in the future.

No Pledge of Taxes

General. The obligation of the City to pay the Base Rental Payments and Additional Rental does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental Payments and Additional Rental does not constitute a debt or indebtedness of the Authority, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City is currently liable on other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations."

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIIC and Article XIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIIC and Article XIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIC and Article XIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIC and Article XIID of the State Constitution would adversely affect its ability to pay Base Rental Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIC and Article XIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

The City has existing obligations payable from its General Fund. See "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations." The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the 2013 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Base Rental Payments may be decreased.

The Base Rental Payments and other payments due under the Property Lease (including payment of costs of repair and maintenance of the Site and Facilities, taxes and other governmental charges levied against the Site and Facilities) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Base Rental Payments and Additional Rental, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Default

Whenever any event of default referred to in the Property Lease happens and continues, the Authority is authorized under the terms of the Property Lease to exercise any and all remedies available under law or granted under the Property Lease. See "APPENDIX A – Summary of Principal Legal Documents" for a detailed description of available remedies in the case of a default under the Property Lease.

If a default occurs, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Property Lease. The Trustee is not empowered to sell the Site and Facilities and use the proceeds of such sale to prepay the 2013 Bonds or pay debt service on the 2013 Bonds.

The City will be liable only for Base Rental Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Site and Facilities, the City's obligation to make Base Rental Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the 2013 Bonds as and when due. See "SECURITY FOR THE 2013 BONDS – Abatement" and "APPENDIX A – Summary Of Principal Legal Documents."

Although the City is required under the Property Lease to maintain property and liability insurance with respect to the Site and Facilities, the required insurance coverage is subject to certain conditions and restrictions. See "SECURITY FOR THE 2013 BONDS – Property Insurance."

In addition, the Authority is required to use the proceeds of rental interruption insurance maintained under the Property Lease to make debt service payments on the 2013 Bonds during any period of abatement. See "SECURITY FOR THE 2013 BONDS – Property Insurance." However, there is no assurance that the Authority will receive proceeds of rental interruption insurance in time to make debt service payments on the 2013 Bonds when due.

The Indenture does not require the Authority to establish a debt reserve fund for the 2013 Bonds; accordingly, other than the proceeds of rental interruption insurance as described above, there is no reserve for the payment of Lease Payments or debt service on the 2013 Bonds in the event of abatement.

Property Taxes

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Base Rental Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay principal of and interest on the 2013 Bonds when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City's property tax revenues.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Property Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the 2013 Bonds upon the occurrence of an event of default under the Property Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Property Lease and the Indenture, the rights and obligations under the 2013 Bonds, the Property Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2013 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2013 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2013 Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Property Lease and the Indenture. Should such an event of taxability occur, the 2013 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2013 Bonds or, if a secondary market exists, that any 2013 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

TAX MATTERS

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 2013 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the 2013 Bonds. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2013 Bonds.

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

In the further opinion of Bond Counsel, interest on the 2013 Bonds is exempt from California personal income taxes.

Owners of the 2013 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2013 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 2013 Bonds other than as expressly described above.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2013 Bonds, the form of which is set forth in APPENDIX E. Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney.

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Property Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Property Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Property Lease.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned its municipal bond rating of "____" to the 2013 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 and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (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 2013 Bonds may have an adverse effect on the market price or marketability of the 2013 Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the 2013 Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

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

UNDERWRITING

E. J. De La Rosa & Co., Inc. (the "Underwriter"), has entered into a Bond Purchase Contract with the Authority under which it will purchase the 2013 Bonds at a purchase price of \$_____ (which is equal to the par amount of the 2013 Bonds, less an Underwriter's discount of \$_____, and less a net original issue discount of \$_____).

The Underwriter will be obligated to take and pay for all of the 2013 Bonds if any are taken. The Underwriter intends to offer the 2013 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

PROFESSIONAL SERVICES

In connection with the issuance of the 2013 Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2013 Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; and U.S. Bank National Association, as Trustee.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey, Demgen & Moore, Inc., Certified Public Accountants, Denver, Colorado (the "**Verification Agent**") upon delivery of the 2013 Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by the City, relating to (1) the sufficiency of the anticipated receipts from the Federal Securities deposited with the Escrow Agent to pay, when due, the principal, interest and prepayment premium requirements of the 2003 Bonds, and (2) the yield on the 2013 Bonds and on the Federal Securities to be deposited with the Escrow Agent.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

CITY OF BEVERLY HILLS PUBLIC FINANCING
AUTHORITY

By : _____
Don Rhoads,
Treasurer

CITY OF BEVERLY HILLS

By : _____
Don Rhoads,
Director of Administrative Services
and Chief Financial Officer

APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING JUNE 30, 2012

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2013 Lease Revenue Refunding Bonds, Series A
(2003 Refunding Project)

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Beverly Hills (the "City") in connection with the issuance by the City of Beverly Hills Public Financing Authority (the "Authority") of the bonds captioned above (the "Bonds"). The Bonds are being issued under an Indenture dated as of June 1, 2013 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means February 15 of each year.

"*Dissemination Agent*" means U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"*Participating Underwriter*" means E.J. De La Rosa & Co., Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing February 15, 2014, with the report for the 2012-13 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) A statement of any investment losses incurred by the City’s General Fund in excess of \$5,000,000 in any Fiscal Year.

(c) Unless otherwise provided in the audited financial statements filed on or prior to the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, in the form of updates to the following tables contained in the Official Statement:

- (i) TABLE 1, General Fund Balance Sheet
- (ii) TABLE 2, General Fund Revenues, Expenditures and Fund Balances
- (iii) TABLE 3, General Fund Budgeted Revenues and Expenditures
- (iv) TABLE 5, Assessed and Estimated Actual Value of Taxable Property
- (v) TABLE 6, Principal Property Taxpayers
- (vi) CITY FINANCIAL INFORMATION – Business Tax Revenues
- (vii) CITY FINANCIAL INFORMATION – Sales Tax Revenues
- (viii) TABLE 7, Largest Sales Tax Payers
- (ix) CITY FINANCIAL INFORMATION – Transient Occupancy Tax Revenues
- (x) TABLE 9, Long-Term Debt and Lease Obligations Payable from General Fund
- (xi) TABLE 11, Employment Levels

(d) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(e) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

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

these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

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

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be U.S. Bank National Association. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	City of Beverly Hills 455 North Rexford Drive, Room 250 Beverly Hills, CA 90210-4817 Fax: (310) 285-2441
To the Dissemination Agent and Trustee	U.S. Bank National Association 633 West 5th Street, 24th Floor Los Angeles, CA 90017 Attention: Corporate Trust Department Fax: (213) 615-6199

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2013

CITY OF BEVERLY HILLS

By: _____
Don Rhoads,
Director of Administrative Services
and Chief Financial Officer

AGREED AND ACCEPTED:
U.S. Bank National Association,
as Dissemination Agent

By: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Beverly Hills Public Financing Authority

Name of Bond Issue: City of Beverly Hills Public Financing Authority
2013 Lease Revenue Refunding Bonds, Series A
(2003 Refunding Project)

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture dated as of June 1, 2013, between the Authority and U.S. Bank National Association. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

ISSUER:

City of Beverly Hills Public Financing
Authority

By: _____
Its: _____

cc: Dissemination Agent

APPENDIX D

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

The following information concerning the City and the County of Los Angeles is included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General Information

The City. The City of Beverly Hills, incorporated in 1914 under the general laws of the State of California, is a long-established residential city and commercial center located within Los Angeles County in Southern California. Located approximately 10 miles west of the Los Angeles City Hall, the City occupies a land area of approximately 5.7 square miles and serves a residential population of 34,494. The City estimates that services are provided to 100,000 to 150,000 persons during the day. The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four-year terms. The Mayor is selected from the City Council members and serves a one-year term. The City's only other elected official is the City Treasurer whose term of office is four years. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing a City Manager, City Attorney and City Clerk.

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

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

Population

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 2009 through 2013**

<u>Calendar Year</u>	<u>City of Beverly Hills</u>	<u>Los Angeles County</u>	<u>State of California</u>
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	34,308	9,889,520	37,668,804
2013	34,494	9,958,091	37,966,471

Source: State Department of Finance estimates (as of January 1, 2013)

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 decreased over the month to 10.2% in March 2013 from a revised 10.3% in February 2013 and was below the rate of 11.2 one year ago. Civilian employment increased by 5,000 to 4,410,000 in March 2013, while unemployment decreased by 7,000 to 501,000 over the month. The civilian labor force decreased by 2,000 over the month to 4,911,000 in March 2013. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the County was 9.9% in March 2013.

Set forth below is data from calendar years 2008 to 2012 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-GLENDALE METROPOLITAN DIVISION (Los Angeles County) Civilian Labor Force, Employment and Unemployment (Annual Averages)

	2008	2009	2010	2011	2012
Civilian Labor Force ⁽¹⁾	4,936,000	4,905,300	4,911,900	4,927,200	4,879,700
Employment	4,566,900	4,337,000	4,294,200	4,323,000	4,345,700
Unemployment	369,100	568,300	617,700	604,200	534,000
Unemployment Rate	7.5%	11.6%	12.6%	12.3%	10.9%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	6,900	6,200	6,200	5,600	5,400
Mining and Logging	4,400	4,100	4,100	4,000	4,200
Construction	145,200	117,300	104,500	105,000	108,800
Manufacturing	434,500	389,200	373,200	366,800	365,700
Wholesale Trade	223,700	204,500	203,000	205,200	210,900
Retail Trade	416,500	387,000	385,700	390,700	396,800
Transportation, Warehousing and Utilities	163,100	151,200	150,600	151,800	154,300
Information	210,300	191,200	191,500	191,900	190,300
Financial Activities	233,300	216,000	209,500	208,400	210,200
Professional and Business Services	582,600	529,800	527,500	542,900	567,200
Educational and Health Services	505,800	514,600	522,000	533,400	544,300
Leisure and Hospitality	401,600	385,600	384,800	394,600	414,100
Other Services	146,100	137,900	136,700	136,900	140,700
Federal Government	51,100	48,700	51,600	49,000	48,100
State Government	82,400	82,000	80,700	82,700	83,100
Local Government	470,300	465,200	447,300	433,800	425,700
Total All Industries	4,077,600	3,830,300	3,778,700	3,802,700	3,869,700

(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 May 2013.

**LOS ANGELES COUNTY
Major Employers
As of May 2013**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
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	Medical Centers
Century Plaza Towers	Los Angeles	Office Buildings & Parks
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	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 Holy Cross Med Ctr	Sylmar	Health Services
Santa Monica College	Santa Monica	Schools-Universities & Colleges Academic
Sony Pictures Entertainment	Culver City	Motion Picture Producers & Studios
Specair	Gardena	Manufacturers
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 after 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 calendar year 2011 in the City were reported to be \$2,099,954,000, a 7.61% increase over the total taxable sales of \$1,951,465,000 reported during calendar year 2010. Figures for calendar year 2012 are not yet available.

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>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
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
2011 ⁽¹⁾	1,656	1,741,603	2,508	2,099,954

(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 calendar year 2011 in the County were reported to be \$126,440,737,000, an 8.12% increase over the total taxable sales of \$116,942,334,000 reported during calendar year 2010. Figures for calendar year 2012 are not yet available.

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>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
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
2011 ⁽¹⁾	179,872	89,251,447	266,868	126,440,737

(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 2008 through 2012.

CITY OF BEVERLY HILLS AND LOS ANGELES COUNTY EFFECTIVE BUYING INCOME 2008 through 2012

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
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
2012	City of Beverly Hills	\$1,665,423	\$62,886
	Los Angeles County	210,048,048	44,384
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

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 E
FORM OF OPINION OF BOND COUNSEL

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

\$ _____
**City of Beverly Hills Public
 Financing Authority
 2013 Lease Revenue Refunding
 Bonds, Series A
 (2003 Refunding Project)**

BOND PURCHASE CONTRACT

_____, 2013

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

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

Ladies and Gentlemen:

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

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

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the bonds captioned above (the "Bonds") at a purchase price equal to \$_____ (being an amount equal to the principal amount of the Bonds (\$_____)),

plus net original issue premium of \$_____, and less an underwriter's discount of \$_____).

The obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be conditioned on the sale and delivery of all of the Bonds by the Authority to the Underwriter at Closing.

Section 2. Bond Terms; Authorizing Instruments. (a) The Bonds shall be dated their date of delivery and shall mature and bear interest as shown on Exhibit A attached hereto. The Bonds shall be as described in, and shall be issued and secured under, an Indenture (the "Indenture"), dated as of June 1 2013, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are payable and subject to prepayment as provided in the Indenture and as described in the Official Statement.

(b) The Bonds will be issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 and are payable from and secured by the Authority's pledge of "Revenues" under and as defined in the Indenture, consisting primarily of "Base Rental Payments" made by the City under the Property Lease, dated as of June 1 2013, between the Authority, as lessor, and the City, as lessee (the "Property Lease").

(c) The City and the Authority will enter into a Site and Facility Lease dated as of June 1 2013 (the "Site Lease"). Under the Site Lease, the City (as owner of the Site) will lease the Site to the Authority. Concurrently, the City and the Authority will enter into the Property Lease, under which the Authority will lease the Site back to the City for the purpose of financing the Improvements.

(d) The proceeds of the Bonds shall be used: (i) to provide for the current refunding and defeasance of the Authority's Lease Revenue Bonds, 2003 Refunding Series A; and (ii) to pay for the costs of issuance of the Bonds.

Section 3. Public Offering. The Underwriter agrees to make an initial bona fide public offering of all of the Bonds, at not in excess of the initial public offering yields or prices set forth on Exhibit A attached hereto. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriter. The City and the Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City, Authority and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and are not acting as Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City of Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City or Authority on other matters); and (iv) the City and Authority have consulted their own legal, financial and other advisors to the extent they have deemed appropriate.

Section 4. Official Statement; Continuing Disclosure. (a) The Authority has delivered to the Underwriter the Preliminary Official Statement dated _____, 2013 (the "Preliminary Official Statement") and will deliver to the Underwriter the final Official Statement dated the date of this Purchase Contract (as amended and supplemented from time to time pursuant to Section 5(i) of this Purchase Contract, the "Official Statement").

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

(c) In connection with issuance of the Bonds, and in order to assist the Underwriter with complying with the provisions of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the City, on behalf of itself and the Authority, will execute a continuing disclosure certificate countersigned by U.S. Bank National Association, as dissemination agent (the "Continuing Disclosure Certificate"), under which the City will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Certificate will be attached as an appendix to the Preliminary Official Statement and Final Official Statement.

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

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

(b) *Due Power and Authority.* The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "State") and has all necessary power and authority to adopt the Authority Resolution, to enter into and perform its duties under the Authority Agreements.

(c) *Due Authorization and Approval.* By all necessary official action, the Authority has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Bonds and the Authority Agreements, and the consummation by it of all other transactions contemplated by the

Authority Resolution, the Authority Agreements, the Preliminary Official Statement and the Official Statement. The Authority will have complied with all the provisions of the Authority Agreements required to be performed by it prior to or by the Closing Date.

(d) *Enforceability.* When executed and delivered by their respective parties, the Authority Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the Authority, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

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

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

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

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

(i) *No Defaults.* Except as previously disclosed to the Underwriter, the Authority is not in default in any material respect on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is outstanding.

(j) *Subsequent Material Events.* If any event occurs of which the Authority has knowledge between the date of this Purchase Contract and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they

were made, not misleading, the Authority shall notify the Underwriter and, if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter. All expenses thereby incurred will be paid by the Authority, and the Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with a nationally recognized securities information repository.

(k) *Cooperation Regarding Blue Sky Laws.* The Authority 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 (i) 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 as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions. The Authority will not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(l) *No Material Breach.* To the best of its knowledge, the Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Authority Agreements, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Authority Agreements, if applicable, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Agreements.

(m) *No Loss of Tax-Exempt Status.* The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax exempt status of the interest on the Bonds.

(n) *No Reduction of Base Rental Payments.* The Authority will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Base Rental Payments while the Bonds are Outstanding, and the Authority will collect the Base Rental Payments in accordance with the Property Lease.

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

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

(b) *Due Power and Authority.* The City is a municipal corporation duly organized and existing under the laws of the State of California (the "State") and has all necessary power and authority to adopt the City Resolution, to enter into and perform its duties under the City Agreements.

(c) *Due Authorization and Approval.* By all necessary official action, the City has duly adopted the City Resolution, has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the City Agreements, and the consummation by it of all other transactions contemplated by the City Resolution, the City Agreements, the Preliminary Official Statement and the Official Statement. The City will have complied with all the provisions of the City Agreements required to be performed by it prior to or by the Closing Date.

(d) *Enforceability.* When executed and delivered by their respective parties, the City Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(e) *Preliminary and Final Official Statement.* At the time of the City's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Preliminary Official Statement and final Official Statement (other than the sections thereof entitled "THE 2013 BONDS - Book-Entry Only System," "DEBT SERVICE SCHEDULE," "TAX MATTERS," "UNDERWRITING," and the appendices thereto entitled "APPENDIX E - FORMS OF OPINION OF BOND COUNSEL" and "APPENDIX F - DTC AND BOOK-ENTRY ONLY SYSTEM") do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) *No Litigation.* As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against, and notice of which has been served on and received by, the City or, to the best knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of City Agreements or the Bonds, or (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase

Contract, the Official Statement, or any other agreement or instrument to which the City is a party relating to the Bonds.

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

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

(i) *No Defaults.* Except as previously disclosed to the Underwriter, the City is not in default in any material respect on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is outstanding.

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

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

(l) *Cooperation Regarding Blue Sky Laws.* 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 (i) 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 as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions. The City will not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(m) *No Material Breach.* To the best of its knowledge, the City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Agreements, and no event has occurred and is continuing which with the passage of time

or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Agreements, if applicable, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the City Agreements.

(n) *No Loss of Tax-Exempt Status.* The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax exempt status of the interest on the Bonds.

(o) *No Reduction of Base Rental Payments.* The City will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Base Rental Payments while the Bonds are Outstanding, and the City will pay the Base Rental Payments in accordance with the Property Lease.

(p) *Accuracy of Financial Statements.* The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2012 attached as Appendix B to the Official Statement fairly represent the receipts, expenditures and cash balances of the City. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2012 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

Section 7. The Closing. (a) At 8:00 A.M., San Francisco time, on June __, 2013, or on such earlier or later time or date as may be agreed upon by the Underwriter, the Authority and the City (the "Closing"), the Authority shall deliver or cause to be delivered to the Trustee, the Bonds in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC") (so the Bonds may be authenticated by the Trustee and credited to the account specified by the Underwriter under DTC FAST procedures.) Prior to the Closing, the Authority shall deliver, at the offices of Bond Counsel in San Francisco, California, or such other place as are mutually agreed upon by the Underwriter and the Authority, the other documents described in this Purchase Contract. On the date of the Closing, the Underwriter shall pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Contract in immediately available funds to the order of the Trustee.

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

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

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

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

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

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

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

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

- (1) Certified copies of the Authority Resolution and the City Resolution.
- (2) Duly executed copies of the Indenture, the Property Lease, the Site Lease, the Continuing Disclosure Certificate and this Purchase Contract.
- (3) The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the Authority and the City.

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

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

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

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

(iii) The statements contained in the Official Statement on the cover and under the headings "INTRODUCTION," "FINANCING PLAN," "THE LEASED PROPERTY," "THE 2013 BONDS," "SECURITY FOR THE 2013 BONDS" and "TAX MATTERS," and in "APPENDIX A – Summary of Principal Legal Documents" and "APPENDIX E – Form of Opinion of Bond Counsel," insofar as such statements purport to describe certain provisions of the Bonds, the Indenture, the Property Lease, and the Site Lease, or to state legal conclusions and the opinion of Bond Counsel regarding the tax-exempt nature of the Bonds, present a fair and accurate summary of the provisions thereof.

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

(7) An opinion of the City Attorney, dated as of the Closing addressed to the Authority, the City and the Underwriter, in form and substance acceptable to the Underwriter, substantially in the form attached as Exhibit B.

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

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

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

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

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

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

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

(13) A Certificate as to Arbitrage Certificate and a Certificate as to Use of Proceeds duly signed on behalf of the Authority and the City.

(14) Evidence of required filings with the California Debt and Investment Advisory Commission.

(15) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system.

(16) Evidence that the ratings assigned to the Bonds as of the Closing date are as set forth in the Official Statement.

(17) A defeasance opinion of Bond Counsel dated the Closing Date and addressed to the Trustee in form and substance acceptable to the Underwriter.

(18) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Bonds by the Trustee.

(19) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Authority and the City with legal requirements, the truth and

accuracy, as of the date of the Closing, of the representations of the Authority and the City herein contained and of the Official Statement and the due performance or satisfaction by the Authority and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the Authority and the City are unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter, the Authority nor the City shall be under further obligations hereunder, except that the respective obligations of the Authority, the City and the Underwriter set forth in Section 12 of this Purchase Contract shall continue in full force and effect.

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

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

(1) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the Authority or the City, its property or income, its bonds (including the Bonds), or the interest thereon or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended, or California law;

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

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

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

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

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

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

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

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

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

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

(12) an event occurs which in the reasonable opinion of the Underwriter requires a supplement or amendment to the Official Statement and (i) the Authority or the City refuses to prepare and furnish such supplement or amendment or (ii) in the reasonable judgment of the Underwriter the occurrence of such event materially and adversely affects the marketability of the Bonds or renders the enforcement of the sale contracts of the Bonds impracticable;

(13) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental Authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(14) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds; or

(15) the commencement of any action, suit or proceeding described in Section 5(f) or Section 6(f).

Section 11. Changes in Official Statement. After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing unless the Authority or its counsel determines that such supplement is required under applicable law. Within 90 days after the Closing or within 25 days following the “end of the underwriting period” (as defined in Rule 15c2-12), whichever occurs first, if any event relating to or affecting the Bonds, the Trustee, the City or the Authority shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The City and the Authority shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. The Underwriter acknowledges that the “end of the underwriting period” will be the Closing Date.

Section 12. Payment of Expenses. (a) Subject to Section 12(b) hereof, the Underwriter shall be under no obligation to pay, and the City shall pay the following expenses incident to the performance of the Authority's and the City's obligations hereunder:

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

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

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

(iv) expenses (included in the expense component of the spread) incurred on behalf of the City's employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging and entertainment of such employees; and

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

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

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

(ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds (including without limitation the fees and expenses of its counsel and MSRB, CUSIP Bureau, California Debt and Investment Advisory Commission and California Public Securities Association fees, if any), except as provided in (a) above or as otherwise agreed to by the Underwriter and the City.

Section 13. Notices. Any notice or other communication to be given to the Authority or the City under this Purchase Contract may be given by delivering the same in writing to the Authority and the City at the addresses set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

E. J. De La Rosa & Co., Inc.
10866 Wilshire Boulevard, Suite 1650
Los Angeles, CA 90024
Attention: John Kim

Section 14. Survival of Representations, Warranties, Agreements. All of the Authority's and the City's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Contract. The agreements contained in this Section and in Section 12 shall survive any termination of this Purchase Contract.

Section 15. Benefit; No Assignment. This Purchase Contract is made solely for the benefit of the Authority, the City and the Underwriter (including its successors and permitted assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract are not subject to assignment by the Underwriter, the Authority or the City without the prior written consent of the other parties hereto.

Section 16. Severability. In the event that any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 17. Counterparts. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 18. Governing Law. This Purchase Contract shall be governed by the laws of the State of California.

Section 19. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the Authority and the City, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

E. J. DE LA ROSA & CO., INC.

By: _____
Authorized Officer

Accepted:

CITY OF BEVERLY HILLS

By: _____
Don Rhoads
Director of Administrative Services
and Chief Financial Officer

CITY OF BEVERLY HILLS
PUBLIC FINANCING AUTHORITY

By: _____
Don Rhoads
Treasurer

Attest:

Secretary

EXHIBIT A

**MATURITY SCHEDULES
AND ISSUE PRICE CALCULATIONS**

\$ _____
**City of Beverly Hills Public Financing Authority
2013 Lease Revenue Refunding Bonds, Series A
(2003 Refunding Project)**

<u>Principal Payment Date (June 1)</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2014				
2015				

EXHIBIT B

[Date]

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

E. J. De La Rosa & Co., Inc.
10866 Wilshire Boulevard, Suite 1650
Los Angeles, California 90024

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

Opinion of City Attorney and Authority Counsel

with reference to

\$ _____

City of Beverly Hills Public Financing Authority
2013 Lease Revenue Refunding Bonds, Series A
(2003 Refunding Project)

Ladies and Gentlemen:

In my capacity as the General Counsel to the City of Beverly Hills Public Financing Authority (the "Authority") and the City Attorney to the City of Beverly Hills (the "City"), in connection with the issuance by the Authority of the above-referenced bonds (the "2013 Bonds"), I have examined such documents, certificates and records as I have deemed relevant and necessary as the basis for the opinion set forth herein. Capitalized terms used and not otherwise defined herein shall have the same meanings as assigned to them in the Bond Purchase Contract, dated _____, 2013 (the "Purchase Contract"), by E.J. De La Rosa & Co., Inc., as underwriter, and accepted by the City and the Authority.

Relying on my examination described above and pertinent law and subject to the limitations and qualifications set forth hereinafter, I am of the of the following opinion:

1. The City is a municipal corporation organized and validly existing under the laws of the State of California.

2. Resolution No. 13-R-_____ of the City Council of the City (the "City Resolution") has been duly adopted at a meeting of such City Council that was duly called and held pursuant to law, with all required public notice and at which a quorum was present and acting throughout. The City Resolution is in full force and effect and has not been amended or repealed.

3. The City has duly authorized, executed and delivered the City Agreements. Assuming due authorization, execution and delivery by the other parties thereto, as necessary, the City Agreements constitute legal, valid and binding agreements of the City enforceable against the City in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer, moratorium, reorganization or other laws affecting the enforcement of creditors' rights

generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies.

4. To the best of my knowledge, there is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been accomplished on the City) or threatened wherein an unfavorable decision, ruling or finding would (a) affect the creation, organization, existence or powers of the City or the titles of its officers to their respective offices, (b) in any way question or affect the validity or enforceability of the City Agreements or the Bonds, (c) find illegal, invalid or unenforceable the City Agreements or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the City is a party, or (d) have a material adverse effect on the ability of the City to make Base Rental Payments when due.

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

6. The Authority is a joint exercise of powers authority organized and validly existing under the laws of the State of California.

7. Resolution No. 13-R-__ of the Authority (the "Authority Resolution") has been duly adopted at a meeting of the Board of Directors of the Authority that was duly called and held pursuant to law, with all required public notice and at which a quorum was present and acting throughout. The Authority Resolution is in full force and effect and has not been amended or repealed.

8. The Authority has duly authorized, executed and delivered the Official Statement, and the Authority Agreements. Assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Authority Agreements constitute legal, valid and binding agreements of the Authority enforceable against the Authority in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer, moratorium, reorganization or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies.

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

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

The opinion is based on such examination of the laws of the State of California as I deemed relevant for the purposes of this opinion. I have not considered the effect, if any, of the laws of any other jurisdiction upon matters covered by this opinion. I have assumed the genuineness of all documents and signatures, presented to me. I have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. I express no opinion as to the status of the 2013 Bonds or the interest thereon, the Authority Agreements or the City Agreements under any federal securities laws or any state securities or "Blue Sky" law or any federal, state or local tax law. No opinion is expressed herein with respect to the validity of the 2013 Bonds or the power of the Authority to issue the 2013 Bonds under state law, for which the Authority and the City are relying on the opinion given by Bond Counsel. Further, I express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Authority Agreements and the City Agreements. Without limiting any of the foregoing, I express no opinion as to any matter other than as expressly set forth above.

Whenever a statement herein is qualified by "to the best of my knowledge," it shall be deemed to indicate that, during the course of my representation of the Authority and the City in connection with the financing described herein, no information that would give me current, actual knowledge of the inaccuracy of such statement has come to my attention. I have not, however, undertaken any independent investigation to determine the accuracy of such statements, and any limited inquiry undertaken during the preparation of this opinion letter should not be regarded as such investigation. No inference as to my knowledge of any matters bearing upon the accuracy of any such statement should be drawn from the fact of my general representation of the Authority and the City.

I am furnishing this opinion as General Counsel to the Authority and City Attorney to the City. Except for the Authority and the City, no attorney-client relationship has existed or exists between me and the addressees hereof in connection with the 2013 Bonds or by virtue of this opinion. This opinion is rendered solely in connection with the financing described herein, and may not be relied upon by you for any other purpose. I disclaim any obligation to update this opinion. This opinion shall not extend to, and may not be used, quoted, referred to, or relied upon by any other person, firm, corporation or other entity without my prior written consent

Respectfully submitted,

Richards Watson & Gershon,
A Professional Corporation

EXHIBIT C

\$ _____ *
**City of Beverly Hills Public
Financing Authority
2013 Lease Revenue Refunding
Bonds, Series A
(2003 Refunding Project)**

15c2-12 CERTIFICATE

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

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

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

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

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

Dated: _____, 2013

CITY OF BEVERLY HILLS

By: _____

Don Rhoads
Director of Administrative Services
and Chief Financial Officer

CITY OF BEVERLY HILLS PUBLIC
FINANCING AUTHORITY

By: _____

Don Rhoads
Treasurer

* Preliminary; subject to change.

EXHIBIT D

\$ _____
**City of Beverly Hills Public
Financing Authority
2013 Lease Revenue Refunding
Bonds, Series A
(2003 Refunding Project)**

CLOSING CERTIFICATE OF THE AUTHORITY

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

(i) The representations, warranties and covenants of the Authority contained in the Bond Purchase Contract dated as of _____, 2013, by and among the Authority, the City of Beverly Hills and E. J. De La Rosa & Co., Inc., as underwriter (the "Purchase Contract"), are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

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

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

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no adverse change in the condition (financial or otherwise) of the Authority, whether or not arising in the ordinary course of the operations of the Authority, as described in the Official Statement, that would materially and adversely affect the Bonds or the Authority's performance under the Authority Agreements.

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

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

Dated: _____, 2013

**CITY OF BEVERLY HILLS PUBLIC
FINANCING AUTHORITY**

By: _____
Don Rhoads
Treasurer

EXHIBIT E

**\$ _____
City of Beverly Hills Public
Financing Authority
2013 Lease Revenue Refunding
Bonds, Series A
(2003 Refunding Project)**

CLOSING CERTIFICATE OF THE CITY

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

(i) The representations, warranties and covenants of the City contained in the Bond Purchase Contract dated as of _____, 2013, by and among the City, the City of Beverly Hills Public Financing Authority, and E. J. De La Rosa & Co., Inc., as underwriter (the "Purchase Contract") are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

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

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

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no adverse change in the condition (financial or otherwise) of the City, whether or not arising in the ordinary course of operations, as described in the Official Statement that would materially and adversely affect the Bonds or the City's performance under the City Agreements.

(v) The statements and descriptions in the Official Statement (other than the sections thereof entitled "THE 2013 BONDS - Book-Entry Only System," "DEBT SERVICE SCHEDULE," "TAX MATTERS," "UNDERWRITING," and the appendices thereto entitled "APPENDIX E - FORMS OF OPINIONS OF BOND COUNSEL" and "APPENDIX F - DTC AND BOOK-ENTRY ONLY SYSTEM") do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

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

Dated: _____, 2013

CITY OF BEVERLY HILLS

By: _____

Don Rhoads
Director of Administrative Services
and Chief Financial Officer