

**NEW ISSUE – FULL BOOK-ENTRY**

**RATINGS:**  
**S&P: (FSA Insured) AAA**  
**(Underlying) A-**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."*

**\$12,450,000**  
**BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY**  
**Infrastructure Revenue Refunding Bonds**  
**Series 2004C**

**Dated: Date of Delivery**

**Due: September 2, as shown below**

The \$12,450,000 Infrastructure Revenue Refunding Bonds, Series 2004C (the "Bonds") are being issued by the Brentwood Infrastructure Financing Authority (the "Authority") to assist the City of Brentwood, California (the "City") in the refinancing of certain improvements of benefit to property within the City's Assessment District No. 2000-1 (the "District"). All of the proceedings of the City to form the District and to levy the assessments (described herein) for the construction and acquisition of the improvements have been undertaken pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "Act").

In 2000, the Authority issued its CIPF 2000-1 Infrastructure Revenue Bonds, Series 2000 (the "Prior Bonds"). The Prior Bonds were issued primarily to purchase certain limited obligation improvement bonds (the "Local Obligations" as described herein) issued by the City pursuant to the provisions of the Improvement Bond Act of 1915, consisting of Division 10 of the Streets and Highways Code of the State of California. The Local Obligations were issued to finance the construction and acquisition of certain public improvements necessary for development in the District. The Bonds are being issued to refund the Prior Bonds and to pay the cost of issuance of the Bonds (including the cost of a reserve fund surety bond for the Bonds). The original Local Obligations are not being refunded, will remain outstanding and will secure the Bonds.

The Bonds are special obligations of the Authority. The Bonds are payable solely from Revenues of the Authority pledged under the Trust Agreement, consisting primarily of payments received by the Authority from the City as payment on the Local Obligations, which payments are secured by liens of unpaid assessments as more fully described herein. Installments of principal and interest sufficient to meet annual Local Obligation debt service are included on the regular county tax bills sent to owners of property against which there are unpaid assessments. These annual assessment installments are to be paid into the Local Obligation Redemption Fund (defined herein) and transferred to U.S. Bank National Association, as trustee (the "Trustee") to be used to pay debt service on the Bonds as it becomes due. Scheduled payments under the Local Obligations are calculated to be sufficient to permit the Authority to pay the principal of, premium, if any and interest on the Bonds when due, except during an initial period in the event of a prepayment of all or substantially all of the Local Obligations. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Non-Asset Bonds."

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Interest is payable on March 2, 2005, and semiannually thereafter on March 2 and September 2 each year. See "APPENDIX E - The Book-Entry System" herein.

**The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS - Redemption" herein.**

**Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no commitment to pay the principal of or interest on the Bonds. In the event of delinquency, proceedings may be conducted only against the real property securing the delinquent assessment. Thus, the value of the real property within the District is a critical factor in determining the investment quality of the Bonds. The unpaid assessments are not required to be paid upon sale of property within the District. There is no assurance the owners shall be able to pay the assessment installments or that they shall pay such installments even though financially able to do so.**

A reserve fund is established for the Bonds under the Trust Agreement. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Reserve Fund."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc.



**This cover page contains certain information for general reference only. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE CITY, THE COUNTY OF CONTRA COSTA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. NEITHER THE BONDS NOR THE LOCAL OBLIGATIONS CONSTITUTE A DEBT OF THE CITY WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "BONDOWNERS' RISKS," SHOULD BE READ IN ITS ENTIRETY.**

**MATURITY SCHEDULE**

**(see inside front cover)**

The Bonds are offered when, and if issued and accepted by the Underwriter subject to the approval, as to their legality, of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney, and for the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. It is expected that the Bonds will be available for delivery in book-entry form on or about December 9, 2004.

**RBC Dain Rauscher**

Dated: November 19, 2004

**MATURITY SCHEDULE**

<u>Maturity (September 2)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity (September 2)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2005	\$435,000	2.000%	1.900%	2013	\$ 365,000	3.500%	3.600%
2006	310,000	2.000	100.000	2014	375,000	3.625	3.750
2007	315,000	2.250	2.200	2015	395,000	3.750	3.900
2008	325,000	2.500	2.450	2016	405,000	4.000	4.100
2009	330,000	2.750	2.700	2017	425,000	4.125	4.200
2010	350,000	3.000	3.050	2018	440,000	4.125	4.300
2011	350,000	3.250	100.000	2019	465,000	4.250	4.400
2012	355,000	3.375	3.400	2020	485,000	4.375	4.500

**\$2,200,000 4.750% Term Bonds due September 2, 2024; Price 100%**  
**\$4,125,000 4.750% Term Bonds due September 2, 2030; Yield 4.900%**

# **BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY**

## **City of Brentwood City Council and Authority Officers**

Brian Swisher, Mayor/Chairperson of the Authority  
Annette Beckstrand, Vice Mayor/Vice-Chairperson of the Authority  
Ana B. Gutierrez, Councilmember/Boardmember  
Bill Hill, Councilmember/Boardmember  
Pete Petrovich, Councilmember/Boardmember

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## **City Staff**

John Stevenson, City Manager  
Bailey Grewal, City Engineer  
Pamela Ehler, Director of Finance and Information Systems  
Dennis Beougher, City Attorney  
Karen Diaz, City Clerk/Director of Administrative Services

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## **Special Services**

### **Bond Counsel**

Orrick, Herrington & Sutcliffe LLP  
San Francisco, California

### **Trustee**

U.S. Bank National Association  
San Francisco, California

### **Disclosure Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Authority or the City, in any press release and in any oral statement made with the approval of an authorized officer of the Authority or the City, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions may identify "forward looking statements." 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 Authority or the City since the date hereof.

**Limit of Offering.** No dealer, broker, salesperson or other person has been authorized by the Authority 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

**Involvement of Underwriter.** The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their 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. 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 or the Authority since the date hereof. All summaries of the Trust Agreement or other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

**Insurer's Disclaimer.** Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "MUNICIPAL BOND INSURANCE" and "Appendix F - Specimen Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

THE 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 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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## OFFICIAL STATEMENT

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**\$12,450,000**  
**BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY**  
**Infrastructure Revenue Refunding Bonds**  
**Series 2004C**

This Official Statement, including the cover page and the appendices-hereto, is provided to furnish information regarding the issuance by the Brentwood Infrastructure Financing Authority (the "**Issuer**" or the "**Authority**") of its \$12,450,000 aggregate principal amount of Infrastructure Revenue Refunding Bonds, Series 2004C (the "**Bonds**").

### INTRODUCTION

*This introduction is not a summary of this Official Statement, and is qualified by the more complete and detailed information contained in the entire Official Statement and the documents described or summarized herein. The sale of Bonds to potential investors is made only by means of the entire Official Statement.*

**Purposes of the Bonds.** The Bonds are being issued to assist the City of Brentwood, California (the "**City**") in the financing of certain improvements of benefit to property within the City's Assessment District No. 2000-1 (the "**District**"), to provide money for capital improvements to facilities of the City and to pay the cost of issuance of the Bonds (including the cost of a reserve fund insurance policy for the Bonds. See "PLAN OF FINANCE."

**The Prior Bonds and the Local Obligations.** In December 2000, the Issuer issued its CIPF 2000-1 Infrastructure Revenue Bonds, Series 2000 (the "**Prior Bonds**") in the original principal amount of \$12,740,000 to purchase the City's Limited Obligation Improvement Bonds, Assessment District No. 2000-1 (the "**Local Obligations**" as described herein) issued by the City in connection with its Capital Improvement Financing Program 2000-1 (described herein). The Local Obligations were issued by the City pursuant to the provisions of the Improvement Bond Act of 1915, consisting of Division 10 of the Streets and Highways Code of the State of California (the "**Local Obligation Statute**") to finance the construction and acquisition of certain public improvements necessary for development in the District.

**Authority for Issuance.** The Bonds are issued pursuant to the terms of an Amended and Restated Trust Agreement dated as of November 1, 2004 (the "**Trust Agreement**") among the Issuer, the City and U.S. Bank National Association (the "**Trustee**").

**Security for the Bonds.** The Bonds are special obligations of the Issuer, payable from and secured by Revenues (as defined herein) of the Issuer consisting primarily of payments received by the Issuer from the City in connection with the Local Obligations.

The Bonds are secured by a lien on and security interest in all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in certain funds established under the Trust Agreement. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFORE - Revenues." The Bonds are additionally secured by a Reserve Fund, provided by a reserve fund insurance policy, established for the Bonds under the Trust Agreement.

Scheduled payments under the Local Obligations are sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due, except during an initial period in the event of a prepayment of all or substantially all of the Local Obligations. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Payment of the Local Obligations" and "- Non-Asset Bonds" below.

The Local Obligations were issued upon and are secured by the assessments levied against property in the District, together with interest thereon and such unpaid assessments together with interest thereon constitute a trust fund for the redemption and payment of the principal of the Local Obligations and the interest thereon. All the Local Obligations are secured by the monies in the Local Obligation Redemption Fund (described herein) created pursuant to the assessment proceedings, and by the assessments levied. Principal of and interest on the Local Obligations are payable exclusively out of the Local Obligation Redemption Fund. Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no commitment to pay the principal of or interest on the Local Obligations or the Bonds or to support payment of the Bonds in any manner. In the event of delinquency, proceedings may be conducted only against the particular parcel securing the delinquent assessment. The unpaid assessments are not required to be paid upon sale of property within the District.

**Bond Insurance.** Concurrently with issuance of the Bonds, Financial Security Assurance Inc. ("**Financial Security**" or the "**Bond Insurer**") will issue its Municipal Bond Insurance Policy (the "**Municipal Bond Insurance Policy**") for the Bonds. The policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but which is unpaid. See "MUNICIPAL BOND INSURANCE" and "APPENDIX F - Specimen Municipal Bond Insurance Policy". Financial Security will also issue a reserve fund insurance policy, described herein, for the Bonds.

**The Assessment District and the Local Obligations.** All of the proceedings of the City to form the District and to levy the assessments for the construction and acquisition of the improvements were undertaken pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "**Act**"). The Local Obligations consist of a series of limited obligation improvement bonds issued by the City with regard to the District pursuant to the provisions of the Local Obligation Statute to finance the construction and acquisition of public improvements identified under the City's Capital Improvement Financing Program 2000-1 (described herein). *The Local Obligations are the primary security for the Bonds and are not being refunded in connection with the issuance of the Bonds.*

The District is comprised of land located within the City mostly developed with single family residences, and was formed to finance a portion of certain infrastructure improvements of



benefit to the District (collectively, the "**Improvements**") and necessary for such development, consisting generally of a wastewater collection system, wastewater treatment plant, water distribution system, flood control facilities, drainage facilities and roadways. The Improvements financed by the Local Obligations for the District have been completed and over 96% of the homes planned for the District have been completed, with most of the completed homes sold to homeowners. See "THE ASSESSMENT DISTRICT."

**Limited Scope of Official Statement.** There follows in this Official Statement descriptions of the Issuer, the Bonds, the Trust Agreement, the City, the Local Obligations, the Local Obligation Resolution, and certain other documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Terms not defined herein shall have the meanings set forth in the Trust Agreement.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the City since the date hereof.

All financial and other information presented in this Official Statement has been provided by the Issuer and the City from their records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the owners, the District, the Issuer or the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

## **PLAN OF FINANCE**

The Bonds are being issued to refund the outstanding amount of the Issuer's CIPF 2000-1 Infrastructure Revenue Bonds, Series 2000 (the "**Prior Bonds**") issued in the original principal amount of \$12,740,000. The Prior Bonds were issued to provide the Issuer with money to purchase the Local Obligations issued to finance the construction and acquisition of certain public improvements of benefit to property in the District. Such improvements have been completed. The Local Obligations were purchased by the Issuer at the time they were issued and are security for the Bonds, however the Local Obligations will not be refunded in connection with the issuance of the Bonds. Savings generated by the refunding of the Prior Bonds will be used to provide money to be used by the City for improvements to the capital facilities of the City. Proceeds of the Bonds will also be used to provide a reserve fund surety for the Bonds and to pay the cost of issuance of the Bonds. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Payment of the Local Obligations" and " - Non-Asset Bonds."

On the date of issuance of the Bonds, a portion of the proceeds of the Bonds, together with other available moneys related to the Prior Bonds, will be applied by the Trustee for the

payment of the principal of and interest and redemption premium on the Prior Bonds on such date. As a result of the application of funds by the Trustee, the pledge of Revenues for payment of the Prior Bonds and the payment obligation of the Issuer under the Prior Bonds Trust Agreement will be discharged and defeased and will no longer have any claim against the Revenues.

## THE BONDS

### Authority For Issuance

The Bonds are special obligations of the Issuer payable from and secured by payments made under all of the Local Obligations. The Local Obligations were purchased by the Issuer pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, as amended from time to time (the "**Marks-Roos Law**"): The Bonds are being issued pursuant to the provisions of Resolution No. BIFA-11 adopted by the Issuer on November 9, 2004 and the Trust Agreement.

The District was established and a specific amount of bonded indebtedness for the District was authorized. The authorization for such bonds was pursuant to provisions of the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "**Act**"), the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (the "**Local Obligation Statute**") and proceedings taken by the City pursuant to a resolution of intention adopted by the City Council with respect to the District (the "**Resolution of Intention.**") The Local Obligations were issued pursuant to the provisions of a Resolution No. 2176 (the "**Local Obligation Resolution**") adopted by the City Council on October 10, 2000. Under the Trust Agreement, the City covenants that it will not issue or incur any additional bonds or other indebtedness payable from the assessments securing the Local Obligations. The Local Obligations are security for the Bonds but will not be refunded in connection with the issuance of the Bonds.

### Amount and Issuance of the Bonds

The Bonds will be dated the date of original delivery. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical bonds representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Holders shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX E - The Book-Entry System" herein.

The principal of and redemption premiums, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Interest is payable on March 2, 2005,

and semiannually thereafter on March 2 and September 2 each year (each, an "Interest Payment Date"). The Bonds shall bear interest from the Dated Date. Payment of the interest on any Bond shall be made to the Person whose name appears on the Bond Register as the Owner thereof as of the close of business on the Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to the Owner at the address which appears on the Bond Register as of the Record Date, for that purpose; except that in the case of an Owner of one million dollars (\$1,000,000) or more in aggregate principal amount of any of Bonds, upon written request of such Owner to the Trustee, in form satisfactory to the Trustee, received not later than the Record Date, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States. The principal of and redemption premiums, if any, on the Bonds shall be payable at the Corporate Trust Office of the Trustee in St. Paul, Minnesota, upon presentation and surrender of such Bonds. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

### **Application of Proceeds of the Bonds**

The Bonds are being issued (i) to refund the Prior Bonds, and (iii) to pay the cost of issuance of the Bonds (including the cost of a reserve fund insurance policy for the Bonds). The Local Obligations are security for the Bonds but will not be refunded in connection with the issuance of the Bonds.

For a discussion of the accounts and funds established under the Trust Agreement and related to the Bonds, see "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." For a schedule of the estimated sources and uses of funds related to the issuance of the Bonds, see "ESTIMATED SOURCES AND USES OF FUNDS."

### **Redemption**

**Extraordinary Redemption.** The Bonds shall be subject to extraordinary redemption as a whole or in part on any Interest Payment Date, and shall be redeemed by the Trustee, from moneys transferred from the Revenue Fund to the Redemption Fund pursuant to the Trust Agreement, and derived as a result of Property Owner Prepayments plus, if applicable, amounts transferred from the Reserve Fund and from the Redemption Fund as Deficit Share Payments (described below) in connection therewith, at a redemption price equal to the principal amount thereof, together with a redemption premium equal to (i) if Bonds are redeemed on or prior to March 2, 2014, 3% of the principal amount of the Bonds to be redeemed or (ii) if Bonds are redeemed on or after September 2, 2014, without premium, in each case plus accrued interest to the redemption date.

**Optional Redemption.** The Bonds maturing on or after September 2, 2015 shall be subject to optional redemption as a whole or in part on any date on or after September 2, 2014, at the option of the Issuer from any moneys deposited in the Redemption Fund from any source for such purpose by the Issuer at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date.

**Mandatory Redemption.** The Bonds maturing on September 2, 2024 and September 2, 2030, are also subject to mandatory redemption in part by lot on September 2 in each year commencing September 2, 2021 and September 2, 2025, respectively, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption in accordance with the following schedule:

**Term Bonds of 2024**

Year (September 2)	Amount
2021	\$ 525,000
2022	535,000
2023	560,000
2024 (maturity)	580,000

**Term Bonds of 2030**

Year (September 2)	Amount
2025	\$610,000
2026	640,000
2027	670,000
2028	700,000
2029	735,000
2030 (maturity)	770,000

In the event that Bonds subject to the above mandatory redemption are redeemed in part prior to their stated maturity date from any moneys other than Principal Installments, the remaining Principal Installments for such Bonds shall be reduced proportionately in each year remaining until and including the final maturity date of such Bonds.

**Notice of Redemption.** In the case of any redemption of Bonds, the Trustee shall determine that it has in the Funds maintained pursuant to the Trust Agreement and available therefor sufficient moneys on hand to pay the principal of, the interest on, and the redemption premium, if any, to make any such redemption. Subject to receipt of the Written Order of the Issuer, if sufficient moneys are available for such redemption, the Trustee shall give notice, as hereinafter in this section provided, that Bonds, identified by CUSIP numbers, serial numbers, and maturity date, have been called for redemption and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof that has been called for redemption (or if all the Outstanding Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof at the Corporate Trust Office, at the redemption price (specifying such price), together with any accrued interest to such date, and that all interest on the Bonds, or portions thereof, so to be redeemed will cease to accrue on and after such date and that from and after such date such Bond or such portion shall no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof shall have no rights in respect of such redeemed Bond or such portion except to receive payment from such moneys of such redemption price plus accrued interest to the date fixed for redemption. Such notice shall be mailed by first class mail, in a sealed envelope, postage prepaid, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption, to the Information Services and to the

Owners of such Bonds, or portions thereof, so called for redemption, at their respective addresses as the same shall last appear on the Bond Register. Such notice may specify that it is conditional upon the receipt of funds to pay the redemption price of the Bonds to be redeemed on or prior to the redemption date and that if such funds are not available, the redemption will be canceled and such Bonds shall remain Outstanding.

**Redemption Instructions.** In the event a portion, but not all, of the Outstanding Bonds are to be redeemed pursuant to extraordinary redemption or optional redemption, the Trustee shall select the amounts and maturities of Bonds for redemption in accordance with a Written Order of the Issuer. Upon any prepayment of a Local Obligation or a determination to optionally redeem Bonds, the Local Agency and the Issuer shall deliver to the Trustee at least forty-five (45) days prior to the redemption date the following: (i) designation of the maturities and amounts of Bonds to be redeemed; (ii) designation of the reduction, if any, in the Reserve Requirement required pursuant to a Cash Flow Certificate (described below) resulting from such redemption, (iii) the Deficit Bond Amount resulting from the reduction and the cumulative Deficit Bond Amount, if different; and (iv) a certification to the effect that after giving effect to this redemption, the total principal amount of outstanding Local Obligations will be equal to or greater than the total principal amount of Outstanding Bonds. The Cash-Flow Certificate is required to certify that the anticipated or scheduled Revenues to be received from the Local Obligations will be sufficient in time and amount (together with funds then held under the Trust Agreement representing payments under the Local Obligations and available therefore, but excluding amounts on deposit in the Reserve Fund or earnings thereon) to make all remaining scheduled Principal Installments with respect to, and interest on, the Outstanding Bonds after such redemptions. The Cash Flow Certificate shall specify the Deficit Bond Amount, if any, resulting from such redemption (and if there is at the time of delivery of such Cash Flow Certificate an outstanding Deficit Bond Amount, the Cash Flow Certificate shall specify the cumulative Deficit Bond Amount). See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR – Non-Asset Bonds."

**Selection of Bonds for Redemption.** Whenever less than all the Outstanding Bonds of any maturity are to be redeemed on any one date, the Trustee shall select the particular Bonds to be redeemed by lot. The Trustee shall promptly notify the Issuer in writing of the numbers of the Bonds so selected for redemption in whole or in part on such date.

**Payment of Redeemed Bonds.** Bonds or portions thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price thereof, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Bonds to be redeemed at the office specified in the notice of redemption. If there shall be called for redemption less than the full principal amount of a Bond, the Issuer shall execute and deliver and the Trustee shall authenticate, upon surrender of such Bond, and without charge to the Owner thereof, Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Bonds so surrendered in such Authorized Denominations as shall be specified by the Owner. If any Bond or any portion thereof shall have been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, shall have been made or provided for by the Issuer, then interest on such Bond or such portion shall cease to accrue from such date, and from and after such date such Bond or such portion shall no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof shall have no rights in respect of such Bond or such portion except to receive payment of such redemption price, and unpaid interest accrued to the date fixed for redemption.

**Purchase in Lieu of Redemption.** In lieu of redemption of any Bond, amounts on deposit in the Proceeds Fund, the Principal Funds or in the Redemption Fund may also be used and withdrawn by the Trustee at any time prior to selection of Bonds for redemption having taken place with respect to such amounts, upon a written order from the Issuer for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the respective Interest Fund) as the Issuer may in its discretion determine, but not in excess of the redemption price thereof plus accrued interest to the purchase date.

### ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds are estimated to be disbursed as set forth below:

Sources:

Principal Amount of Bonds	\$12,450,000.00
Less: Net Original Issue Discount	(130,706.85)
Available From Prior Bonds	<u>969,589.76</u>
Total Sources	<u>\$13,288,882.91</u>

Uses:

Payment of Prior Bonds	12,639,281.80
Deposit to Expense Fund <sup>(1)</sup>	<u>649,601.11</u>
Total Uses	<u>\$13,288,882.91</u>

<sup>(1)</sup> Expenses include legal fees, printing costs, rating agency fees, Underwriter's discount, bond insurance premium and reserve insurance premium and other miscellaneous expenses.

## DEBT SERVICE SCHEDULE AND COVERAGE TABLE

The following table shows the debt service schedule for the Bonds and the debt service coverage for the Bonds, based on scheduled payments of principal and interest on the Local Obligations.

### BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY Infrastructure Revenue Refunding Bonds Series 2004C ANNUAL DEBT SERVICE AND COVERAGE

Date (Sept. 2)	Local Obligations Debt Service	2004 Bonds Principal	2004 Bonds Interest	Total 2004 Bonds Debt Service	Coverage
2005	\$959,808.76	\$435,000.00	\$370,775.21	\$805,775.21	1.19
2006	959,203.76	310,000.00	498,825.00	808,825.00	1.19
2007	957,983.76	315,000.00	492,625.00	807,625.00	1.19
2008	961,023.76	325,000.00	485,537.50	810,537.50	1.19
2009	958,038.76	330,000.00	477,412.50	807,412.50	1.19
2010	959,268.76	350,000.00	468,337.50	818,337.50	1.17
2011	959,418.76	350,000.00	457,837.50	807,837.50	1.19
2012	953,458.76	355,000.00	446,462.50	801,462.50	1.19
2013	951,643.76	365,000.00	434,481.26	799,481.26	1.19
2014	951,881.26	375,000.00	421,706.26	796,706.26	1.19
2015	955,843.76	395,000.00	408,112.50	803,112.50	1.19
2016	953,212.50	405,000.00	393,300.00	798,300.00	1.19
2017	954,306.26	425,000.00	377,100.00	802,100.00	1.19
2018	953,806.26	440,000.00	359,568.76	799,568.76	1.19
2019	956,712.50	465,000.00	341,418.76	806,418.76	1.19
2020	957,706.26	485,000.00	321,656.26	806,656.26	1.19
2021	956,787.50	525,000.00	300,437.50	825,437.50	1.16
2022	958,956.26	535,000.00	275,500.00	810,500.00	1.18
2023	958,893.76	560,000.00	250,087.50	810,087.50	1.18
2024	956,600.00	580,000.00	223,487.50	803,487.50	1.19
2025	957,075.00	610,000.00	195,937.50	805,937.50	1.19
2026	960,000.00	640,000.00	166,962.50	806,962.50	1.19
2027	960,056.26	670,000.00	136,562.50	806,562.50	1.19
2028	957,243.76	700,000.00	104,737.50	804,737.50	1.19
2029	961,562.50	735,000.00	71,487.50	806,487.50	1.19
2030	957,375.00	770,000.00	36,575.00	806,575.00	1.19

## SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR

### Limited Obligation

The Bonds are secured by a lien on and pledge of (i) Revenues, as hereinafter defined, (ii) amounts held by the Trustee in the Reserve Fund, and (iii) investment income with respect to any moneys held by the Trustee in the funds related to the Bonds (other than the Rebate Fund). Revenues (as more particularly defined below) consist primarily of payments made under the Local Obligations. Revenues (as more particularly defined below) consist primarily of payments made under the Local Obligations.

The Local Obligations are a limited obligation of the City and secured by an irrevocable pledge of certain revenues of the City, consisting primarily of monies received by the City as payment of assessments levied against property within the District. Scheduled payments under the Local Obligations are sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due, except during an initial period in the event of a prepayment of all or substantially all of the Local Obligations. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Non-Asset Bonds."

All obligations of the Authority under the Trust Agreement and the Bonds are special obligations of the Authority, payable solely from and secured by Revenues and the amounts in the funds established by the Trust Agreement (except amounts in the Rebate Fund). All obligations of the City under the Local Obligation Resolution are not general obligations of the City, but are limited obligations, payable solely from the assessments and the funds pledged therefor under the Local Obligation Resolution. Neither the faith and credit of the City nor of the State of California (the "State") or any political subdivision thereof is pledged to the payment of the Local Obligations.

The Local Obligations are payable solely from and secured solely by the assessments and the amounts in the Redemption Fund created with respect to the Local Obligations (the "**Local Obligation Redemption Fund**") under the Local Obligation Resolution. The City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in any Local Obligation Redemption Fund, provided, however, the City is not prevented, in its sole discretion, from so advancing funds.

*The Bonds are special limited obligations of the Issuer, payable from the Trust Estate described in the Trust Agreement and secured as to the payment of the principal of and the redemption premiums, if any, and the interest on in accordance with their terms and the terms of the Trust Agreement, solely by the Trust Estate. The Bonds shall not constitute a charge against the general credit of the Issuer or any of its members, and under no circumstances shall the Issuer be obligated to pay principal of or redemption premiums, if any, or interest on the Bonds except from the Trust Estate. Neither the State nor any public agency (other than the Issuer) nor any member of the Issuer is obligated to pay the principal of or redemption premiums, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Issuer is pledged to the payment of the principal of or redemption premiums, if any, or interest on the Bonds. The payment of the principal of or redemption premiums, if any, or interest on, the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Issuer) or any member of the Issuer.*



## Revenues

The Bonds are secured by a lien on and pledge of Revenues made in the Trust Agreement. Under the Trust Agreement:

**"Revenues"** means (i) Local Obligation Revenues and all other amounts received by the Trustee as the payment of interest or premiums on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments or Property Owner Prepayments or remedial proceedings taken in the event of a default thereon, (ii) all investment earnings on any moneys held in the Funds or accounts established under the Trust Agreement, except the Rebate Fund, and (iii) Deficit Share Payments (defined below under the caption "Payment of the Local Obligations - Non-Asset Bonds").

**"Local Obligations Revenues"** means all moneys collected and received by the City on account of unpaid assessments, reassessments, or special taxes securing the Local Obligations including amounts collected in the normal course via the County property tax roll and thereafter remitted to the City, Property Owner Prepayments, and amounts received by the City as a result of superior court foreclosure proceedings brought to enforce payment of delinquent installments, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys fees and costs paid as a result of foreclosure actions; and

**"Property Owner Prepayments"** means that portion of Revenues which are initially paid to the City by or on behalf of a property owner to accomplish pay-off and discharge of a lien securing Local Obligations (except the portion, if any, of such Revenues which represents accrued interest on the Local Obligations) and which are thereafter transmitted by the City to the Trustee, as assignee of the Issuer with respect to the Local Obligations, for deposit in the Redemption Fund for application in accordance with the provisions of the Trust Agreement.

Under the Trust Agreement, all of the Revenues and the amounts in the Funds established by the Trust Agreement (except amounts in the Rebate Fund) are pledged by the Issuer first to secure the payment of the principal of and interest on the Bonds, all in accordance with their terms and the provisions of the Trust Agreement. Said pledge constitutes a lien on and security interest in the Revenues upon the physical delivery thereof. In the Trust Agreement, the Issuer transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Issuer in the Local Obligations, if any. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Issuer shall be deemed to be held, and to have been collected or received, by the Issuer and shall forthwith be paid by the Issuer to the Trustee. The Trustee also is entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Issuer or separately, all of the rights of the Issuer and all of the obligations of the City under and with respect to the Local Obligations.

In the Trust Agreement, the City expressly acknowledges that, pursuant to the Local Obligation Statute and the Local Obligation Resolution, the City is legally obligated to establish and maintain a redemption fund for the Local Obligations (the **"Local Obligation Redemption Fund"**) and, so long as any part of Local Obligations remain outstanding, to deposit into the Local Obligation Redemption Fund, upon receipt, any and all Local Obligation Revenues received by the City. The City further acknowledges in the Trust Agreement that, pursuant to

the Local Obligation Statute and the resolutions under which the Local Obligations were issued, no temporary loan or other use whatsoever may be made of the Local Obligation Revenues, and the Local Obligation Redemption Fund constitutes a trust fund for the benefit of the owners of the Local Obligations and the City covenants for the benefit of the Issuer, as owner of the Local Obligations, the Trustee, as assignee of the Issuer with respect to the Local Obligations, and the Owners from time to time of the Bonds, that it will establish, maintain and administer the Local Obligation Redemption Fund and the Local Obligation Revenues as trust funds as prescribed by the Local Obligation Statute, the resolution under which the Local Obligations were issued, and the Trust Agreement.

No later than ten Business Days prior to each Interest Payment Date and Principal Payment Date on the Bonds, the City will advance to the Trustee against payment on the Local Obligations, the interest due on the Local Obligations on such Interest Payment Date and the principal of all Local Obligations maturing on such Principal Payment Date, respectively, and upon receipt by the Trustee, such amounts shall constitute Revenues. All Revenues, other than Revenues derived from Property Owner Prepayments (which shall be deposited in the Redemption Fund and administered in accordance with the Trust Agreement), received by the Trustee shall be deposited by the Trustee into the Revenue Fund. Not later than five (5) Business Days prior to each Interest Payment Date and Principal Payment Date on the Bonds, the Trustee shall transfer Revenues from the Revenue Fund, in the amounts specified in the Trust Agreement, for deposit into the Interest Funds, Principal Funds, Reserve Fund and Expense Fund in the order of priority set forth therein. Any amount remaining in the Revenue Fund after making such deposits shall be transferred to the City.

#### **Payment of the Local Obligations**

***Payments Under the Local Obligations.*** The Local Obligations are issued upon and are secured by the assessments levied against property in the District, together with interest thereon and such unpaid assessments together with interest thereon constitute a trust fund for the redemption and payment of the principal of the Local Obligations and the interest thereon. All the Local Obligations are secured by the monies in the Local Obligation Redemption Fund created pursuant to the various assessment proceedings and by the assessments levied. Principal of and interest on the Local Obligations are payable exclusively out of the Local Obligation Redemption Fund.

*Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. In the event of delinquency, proceedings may be conducted only against the real property securing the delinquent assessment. Thus, the value of the real property within the District is a critical factor in determining the investment quality of the Bonds. The unpaid assessments are not required to be paid upon sale of property within the District. There is no assurance the owners shall be able to pay the assessment installments or that they shall pay such installments even though financially able to do so.*

The assessment installments will be collected and transferred by the County to the City in approximately equal semi-annual installments, together with interest on the declining balances, and are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general property taxes. The properties upon which the assessments were levied are

subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes.

Neither the faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision thereof is pledged to the payment of the Local Obligations.

### **Non-Asset Bonds**

**Description of Non-Asset Bonds.** The Issuer has determined that during an initial period of time after the issuance of the Bonds, a prepayment of all or substantially all of the Local Obligations could result in a shortfall in the amount available to the Issuer to be used to redeem all of the then outstanding Bonds. The City has provided for coverage of such shortfall by agreeing in the Trust Agreement to make certain payments as follows: (i) upon any optional redemption of Bonds as a result of prepayments of any Local Obligations, a Cash Flow Certificate shall be delivered pursuant to the Trust Agreement shall specify the amount of the "**Deficit Bond Amount**" which is an amount of Bonds equal to the difference between: (A) the "**Required Redemption Amount**" which is the product of (i) a fraction, the numerator of which is the principal amount of the Property Owner Prepayments triggering such redemption (excluding accrued interest, prepayment penalty and other charges) and the denominator of which is the total amount of Local Obligations Outstanding immediately prior to the Property Owner Prepayments and (ii) the total amount of Outstanding Bonds, and (B) the amount of Bonds which are redeemed from amount deposited in the Redemption Fund from Property Owner Prepayments and Deficit Share payments (described below). For the initial amount of non-asset bonds, see "OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICT – Value to Lien Ratios."

**Payment of Deficit Bond Amount.** As payment of the Deficit Bond Amount, if and when due, the City may, at its option, transfer to the Trustee for deposit in the Redemption Fund, from Legally Available Funds of the City, all or any portion of the Deficit Bond Amount. If such transfer is made, the Cash Flow Certificate and Redemption Instructions shall be revised to reflect such transfer. Any such transfer shall be applied to the extraordinary redemption of Bonds pursuant to the provisions of the Trust Agreement for extraordinary redemption. Until such time as the Deficit Bond Amount is zero, the City shall pay to the Trustee, on or before March 2 and September 2 in each Bond Year, an amount equal to the portion of the Deficit Share related to the debt service on the Bonds payable on each such date. If for any reasons said amount equal to the portion of the Deficit Share is not paid, the City shall pay the Deficit Share from any "**Legally Available Funds**" which are defined in the Trust Agreement as amounts in the City's wastewater enterprise funds or any other amounts made available by the City to pay the Deficit Share. Legally Available Funds paid by the City are pledged (subject to any prior liens or encumbrances) to the payment of the Deficit Share. To further secure the obligation to pay amounts with respect to the Deficit Share pursuant to the Trust Agreement, the City covenants in the Trust Agreement for the benefit of the holders of the Bonds as follows:

- (1) The City will not incur any indebtedness secured by Legally Available Funds (either senior or subordinate) unless such indebtedness includes a covenant to levy and collect rates and charges sufficient so that the amount of revenues, after deduction for maintenance and operation expenses payable from such revenues, from which such debt is to be paid is at least equal in each fiscal year to the 110% of the debt service on all secured debt payable from such revenues; and

(2) The City will fund any payment with respect to any Deficit Share after: (a) the payment of operating and maintenance expenses payable from Legally Available Funds and; (b) the payment of debt service on other debt secured by Legally Available Funds. These required payments, including any payments with respect to a Deficit Share, would be made monthly prior to releasing surplus Legally Available Funds.

**"Deficit Share"** is defined in the Trust Agreement as, in each Bond Year, an amount equal to the product of (i) a fraction, the numerator of which is the Deficit Bond Amount and the denominator of which is the total amount of Outstanding Bonds and (ii) Annual Debt Service on the Bonds; provided, that the Deficit Share in any Bond Year shall not be less than the difference between the principal of and interest on the Local Obligations payable in such Bond Year and the Annual Debt Service for such Bond Year.

### **Reserve Fund**

**Reserve Fund.** A reserve fund (the "**Reserve Fund**") is established under the Trust Agreement to be held by the Trustee in trust for the benefit of the Authority and the Owners of the Bonds. The amount in the Reserve Fund shall be maintained at the "**Reserve Requirement**" which is, as of any date of calculation, the Maximum Annual Debt Service on the Bonds.

**Reserve Fund Insurance Policy.** The Bonds Reserve Requirement will initially be met with the issuance of a reserve fund insurance policy (the "**Reserve Policy**") provided by Financial Security Assurance Inc. For information on the provider, see the caption "MUNICIPAL BOND INSURANCE" below.

**Use of Reserve Fund.** Except as otherwise provided in the Trust Agreement, all amounts available under the Reserve Policy and other moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or the principal or the redemption premiums, if any, of, the Bonds; but solely in the event that insufficient moneys are available in the Interest Fund, the Principal Fund, or the Redemption Fund for such purpose. Having first satisfied the requirements of the Trust Agreement requiring deposits into the Interest Fund and Principal Fund for payment of the Bonds, the Trustee shall next deposit in the Reserve Fund an amount of Revenues which, together with the amount of the Reserve Policy and any other amounts on deposit in the Reserve Fund, equal the Reserve Requirement. Such amounts shall be applied in the following order of priority: first, to reimburse the Bond Insurer pursuant to the Reserve Policy for any principal draws on the Reserve Policy, provided, that such reimbursement shall result in reinstatement of the Reserve Policy in the amount of such reimbursement; second, to add to the amount of cash on deposit in the Reserve Fund such that the amount of such cash, plus the amount available under the Reserve Policy, is equal to the Reserve Requirement; and third to the payment of any other amounts owing to the Bond Insurer pursuant to the Reserve Policy agreement.

Upon any partial redemption of Bonds, the Trustee shall withdraw an amount from the Reserve Fund equal to the reduction in the Reserve Requirement specified in the Written Order of the Issuer delivered in connection with such redemption and transfer such amount to the Redemption Fund; provided, that such withdrawal, if any, shall not exceed the amount of cash on deposit in the Reserve Fund. In the event of a redemption of Local Obligations resulting from a Property Owner Prepayment, the Trustee shall transfer to the Redemption Fund from any cash on deposit in the Reserve Fund an amount equal to the amount specified in such Written Order. The Reserve Requirement shall be reduced by the amount of such transfer. The

Trustee shall notify the City of such amounts to be transferred. In no event shall the Reserve Policy be drawn upon to make any such transfer.

THE ISSUER AND THE CITY HAVE NO OBLIGATION TO REPLENISH THE RESERVE FUND EXCEPT TO THE EXTENT THAT DELINQUENT ASSESSMENTS ARE PAID OR PROCEEDS FROM FORECLOSURE SALES ARE REALIZED.

### **Priority of Lien**

The assessments and each installment thereof and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended.

There are currently no other bonded assessment liens or special taxes on any of the property within the District.

### **Limited Obligation Upon Delinquency**

ALL OBLIGATIONS OF THE ISSUER UNDER THE TRUST AGREEMENT AND THE BONDS ARE SPECIAL OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY REVENUES AND THE AMOUNTS IN THE RESERVE FUND. THE LOCAL OBLIGATIONS ARE LIMITED OBLIGATION IMPROVEMENT BONDS UNDER SECTION 8769 OF THE LOCAL OBLIGATION STATUTE AND ARE PAYABLE SOLELY FROM AND ARE SECURED SOLELY BY THE ASSESSMENTS AND THE AMOUNTS IN THE LOCAL OBLIGATION REDEMPTION FUND.

THE ISSUER AND THE CITY HAVE NO OBLIGATION TO ADVANCE MONIES TO PAY BOND DEBT SERVICE IN THE EVENT OF DELINQUENT ASSESSMENT INSTALLMENTS. BONDOWNERS SHOULD NOT RELY UPON THE CITY TO ADVANCE MONIES TO THE LOCAL OBLIGATION REDEMPTION FUND. NOTWITHSTANDING THE FOREGOING, THE CITY MAY, AT ITS SOLE OPTION AND IN ITS SOLE DISCRETION ELECT TO ADVANCE AVAILABLE SURPLUS FUNDS OF THE CITY TO PAY FOR ANY DELINQUENT INSTALLMENTS PENDING SALE, REINSTATEMENT, OR REDEMPTION OF ANY DELINQUENT PROPERTY.

### **Collection of Assessments**

Pursuant to the Act and the Local Obligation Statute, installments of principal and interest sufficient to meet annual debt service on the Local Obligations will be billed by the County to the owner of each parcel within the District and against which there are assessments. Upon receipt by the County and transferral to the City, assessment installments are to be deposited into the Local Obligation Redemption Fund, which shall be held by the City and used to pay principal and interest payments on such issue of Local Obligations as they become due. The assessment installments billed against each parcel each year represent pro rata shares of the total principal and interest coming due that year, based on the percentage which the assessment against that parcel bears to the total of assessments in connection with the financing. Pursuant to the Local Obligation Resolution, payment of the principal of and interest

on the Local Obligations is secured by moneys in the Local Obligation Redemption Fund. Moneys in the Local Obligation Redemption Fund will be available to the Trustee for payment of principal of and interest on the Bonds.

The City has no obligation to advance funds to the Local Obligation Redemption Fund except to the extent that delinquent assessments are paid or proceeds from foreclosure sales are realized. As described above under the caption "Payment of the Local Obligations - Non-Asset Bonds," the City has a limited obligation to advance Legally Available Funds to pay the Deficit Share, if any. See "Non-Asset Bonds" above. Additionally, the City has covenanted to cause the institution of judicial foreclosure proceedings following a delinquency, and thereafter to diligently cause prosecution to completion of such foreclosure proceedings upon the lien of delinquent unpaid assessments as set forth herein. See "Covenant to Commence Superior Court Foreclosure" below. The City is not required to bid at the foreclosure sale. The Bonds are a limited obligation of the Issuer and the Issuer has no obligation to advance funds to pay the Bonds, except as provided in the Trust Agreement.

### **Contra Costa County Tax Loss Reserve**

The County and its subsidiary political subdivisions operate under the provisions of Sections 4701 through 4717, inclusive, of the Revenue and Taxation Code of the State of California, commonly referred to as the "Teeter Plan," with respect to property tax collection and disbursement procedures. These sections provide an alternative method of apportioning secured taxes whereby agencies levying taxes through the County tax roll may receive from the County 100% of their taxes at the time they are levied. The County treasury's cash position (from taxes) is insured by a special tax losses reserve fund (the "**Tax Losses Reserve Fund**") accumulated from delinquent penalties. Pursuant to the Teeter Plan, each taxing entity in the County may draw on the amount of uncollected taxes and assessments credited to its fund, in the same manner as if the amount credited had been collected. The tax losses reserve fund is used exclusively to cover losses occurring in the amount of tax liens as a result of sales of tax-defaulted property. Monies in this fund are derived from delinquent tax penalty collections.

This method of apportioning taxes extends to all assessments collected on the County tax roll. Although a local agency currently receives the total levy for its special assessments without regard to actual collections, the basic legal liability for assessment deficiencies at all times remains with the sponsoring agency and, therefore, the alternative method of tax apportionment only assists the agency in the current financing of the maturing debt service requirements.

The Board of Supervisors may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County, if the rate of secured tax and assessment delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

The assessment installments with respect to the Local Obligations are expected to be collected pursuant to the procedures described above. Thus, so long as the County maintains its policy of collecting Assessments pursuant to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of the annual assessment installments levied without regard to actual collections in the District. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning assessments pursuant to the aforementioned procedures. Additionally, in the event of continued default on payment of

an assessment, the assessment is often removed from the tax roll for collection proceedings by the City and upon such removal the Teeter Plan no longer is applicable to such parcel.

### **Covenant to Commence Superior Court Foreclosure**

The Local Obligation Statute provides that in the event any assessment or installment thereof or any interest thereon is not paid when due, the City may order the institution of a court action to foreclose the lien of the unpaid assessment and acquire title to the parcel to which the delinquency relates. In such an action, the real property subject to the unpaid assessment may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory, however, the City has covenanted in the Local Obligation Resolution that, in the event any assessment, or installment thereof, including any interest thereon, is not paid when due, it will order and cause to be commenced within one hundred fifty (150) days following the date of such delinquency, and thereafter diligently prosecute, judicial foreclosure proceedings upon the parcel to which such delinquent assessment or installment thereof and interest thereon relates, which foreclosure proceedings shall be commenced and prosecuted without regard to available surplus funds of the City; provided, that the City shall not be required to commence or prosecute any such foreclosure action so long as (i) the City, in its sole discretion, advances funds to the applicable Local Obligation Redemption Fund sufficient in both time and amount to pay when due scheduled principal of and interest on the Bonds and (ii) the amounts on deposit in the Reserve Fund held under the Trust Agreement are equal to the Reserve Requirement (as defined in the Trust Agreement). Pursuant to Section 8831 of the Streets and Highways Code, the City shall be entitled to reasonable attorney's fees from the proceeds of any foreclosure sale.

Prior to July 1, 1983, the statutory right of redemption from such a judicial foreclosure sale was limited to a period of one year from the date of sale. Legislation effective July 1, 1983 amended this statutory right of redemption to provide that before notice of sale of the foreclosed parcel can be given following court judgment of foreclosure, a redemption period of 120 days must elapse. Furthermore, if the purchaser at the sale is the judgment creditor (here, the City) an action may be commenced by the delinquent property owner within six months after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation which repeals the one-year redemption period has not been tested and there can be no assurance that, if tested, such legislation will be upheld. In the event such Superior Court foreclosure or foreclosures are necessary, there may be a delay in payments to Owners pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase of the applicable property would be received at the foreclosure sale. See also "BONDOWNERS' RISKS - Bankruptcy and Foreclosure" and "Collection of the Assessment" herein.

### **No Additional Bonds**

The Trust Agreement does not authorize the issuance of any additional bonds payable from or secured by a lien and charge upon the Revenues equal to and on a parity with the lien and charge securing the Bonds. Additionally, under the Trust Agreement, the City covenants that it will not issue or incur any additional bonds or other indebtedness payable from the assessments securing the Local Obligations.

## **Refunding Bonds**

In the Trust Agreement, the City covenants that it will not cause any Local Obligation to be refunded (in whole or in part) unless the refunding bonds issued to accomplish such refunding are Additional Local Obligations to be acquired by the Authority pursuant to the Trust Agreement.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("**Financial Security**") will issue its Municipal Bond Insurance Policy for the Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Financial Security Assurance Inc.**

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2004, Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,212,545,000 and its total unearned premium reserve was approximately \$1,501,280,000 in accordance with statutory accounting practices. At June 30, 2004, Financial Security's total shareholders' equity was approximately \$2,438,206,000 and its total net unearned premium reserve was approximately \$1,255,708,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that



Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

## THE ASSESSMENT DISTRICT

The District is located in an area of new home developments in various portions of the northern part of the City. The area in the vicinity of the District generally consists of areas in transition from rural land to recently built homes. Like much of the City, the District is part of an area which had previously been used for agricultural or grazing purposes and has become interspersed residential development over the last several years. Residential development continues to be strong in the City and homebuilders currently offer new homes for sale in several subdivisions in the area.

### Land Use

Property in the District at the time of its formation was substantially owned (or under option to purchase) by homebuilders or their affiliates, including Pulte Home Corporation, DeNova Homes, Western Pacific Homes and Beck Properties, most of which have finished the construction of homes in their subdivisions. Since formation of the District, the developers have completed and sold 946 homes (96% of the parcels in the District). The actual number of units ultimately to be constructed within the District is expected to be 982, with two additional parcels currently undeveloped and zoned for commercial uses. Property in the District is not subject to any Development Agreements.

**Flood Zone Status.** All properties in the District are located within Flood Zone C, indicating an area of minimal flooding. The District is not located within a seismic special studies zone, designated by the California State Division of Mines and Geology, in accordance with the Alquist-Priolo Special Study Zone Act of 1972. Public utilities are available to the District, but extensions will be required as development progresses.

### The Improvements Financed with Local Obligations

The District was formed in connection with the implementation of the City's Capital Improvement Financing Program 2000-1, which was adopted by the City and designed to determine and plan the financing of major regional infrastructure improvements required to accommodate the then-impending development of residential communities within the District. The City caused the preparation of a CIFP 2000-1 Report dated October 10, 2000. The report evaluated and established the need for specific infrastructure improvements that would be required by the development of the then-anticipated subdivisions within the City and suggested various methods of payment for the facilities. The Local Obligations were issued to finance a portion of the infrastructure improvements identified in the CIFP Report.

Proceeds of the Local Obligations were used to fund a portion of the CIFP 2000-1 Construction Improvements, as shown in an Engineer's Reports prepared by the City Engineer, as the engineer of work under the proceedings for levying assessments in the District. The improvements consisted generally of roadway improvements, sewer, water and storm drain facilities and related public infrastructure of benefit to property within the District. All of the improvements financed with proceeds of the Local Obligations have been completed.

## **Method of Assessment**

The Act does not define specific formulas for allocation of project costs among the parcels within the District. The Act, however, requires each parcel to be assessed its share of the project costs in accordance with the benefit conferred on each parcel by construction of the Improvements. Assessment spread formulae are typically based on land area, actual or adjusted street frontage, utility service consumption, and traffic generation or a combination thereof. At the time of formation of the District, the Chief Engineer of the City, as the initial Engineer of Work for the District, provided the assessment spread formula for the District. The assessment spread formula as originally set forth in the Engineer's Report for the District provided for an assessment amount for each large lot parcel in the District, which per-parcel amount was (and, as to the two large parcels not yet subdivided, will be) allocated to the subdivided lots in the District as subdivision of the property occurred. The outstanding principal amount of assessment for most of the single family residences in the District varies from approximately \$10,800 to \$12,700 per residential unit. The Assessment for each parcel is secured by the parcel itself. For ratios of assessments to parcel values, see "OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICTS – Value to Lien Ratios" below.

## **The County of Contra Costa and City of Brentwood**

Contra Costa County (the "**County**") was incorporated in 1850 as one of the original 27 counties of the State of California with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County covers about 733 square miles and extends from the northeastern shore of the of San Francisco Bay easterly about 20 miles to San Joaquin County. The County is bordered on the south and west by Alameda County and on the north by Suisun and San Pablo Bays. The western and northern shorelines are highly industrialized while the interior sections are suburban/residential, commercial and light industrial. A large part of the interior of the County is served by the Bay Area Rapid Transit District ("**BART**"), which has contributed to the expansion of residential and commercial development. In addition, economic development along the Interstate 680 corridor in the County has been substantial in the cities of Concord, Walnut Creek, and San Ramon. The County had a population of approximately 1,009,600 as of January 1, 2004, according to the State Department of Finance.

The City is located adjacent and southeast of the City of Antioch, 25 miles northeast of Walnut Creek, 45 miles northeast of San Francisco, and 65 miles southwest of Sacramento. The City of Tracy is located approximately 12 miles to the southeast and Livermore is located roughly 20 miles to the south. The City is situated in the eastern portion of the County, roughly five miles west of the San Joaquin County line. It is situated between the Mount Diablo foothills to the west, Antioch and Oakley to the north, Discovery Bay to the east and Byron to the south.

The City was incorporated in 1948 and up until the 1980's had retained its agricultural orientation. In recent years, new residential subdivisions have transformed the City into a more suburban environment. Land uses in and around the City are characterized by older farming and retail districts (the older retail districts are primarily located in the downtown area of the City) and rapidly expanding residential neighborhoods in the peripheral areas of the City. The City's population nearly doubled between 1996 and 2001 and in several recent years the City was the fastest growing city in California (excluding Corcoran, where increased population is primarily attributable to an increase in correctional facility inmates) by percentage increase in population.

The rapid expansion of nearby cities and communities including Antioch, Pittsburg, Oakley, Discovery Bay, and Livermore fuels local growth for the area. Highway 4 passes through the City extending easterly through the City of Stockton and intersects with Interstate 5 and State Highway 99. Twenty-five miles to the west, Highway 4 connects to the western portion of the County and connects with Interstate 80, connecting the City to the cities of Berkeley, Richmond, Oakland and San Francisco. Interstate 580 is located within 20 minutes of the City. The newly improved Vasco Road links the City to the Interstate 580 corridor and the cities of Livermore, Tracy, Pleasanton, and Dublin.

The State Route 4 Bypass, with construction underway, is a planned nine-mile highway that will run along the eastern boundary of the City of Antioch and the western boundary of the City. It will link the City (and other far east county areas) to the City of Livermore and Interstate 580. Upon completion, it will include four lanes and begin at the confluence of State Highways 160 and 4, at the City of Oakley, and extend southward through the City of Brentwood and eventually intersect with Interstate 580. The first phase of Segment II of State Route 4 Bypass, the stretch from Lone Tree Way to Balfour Road was recently completed. Phase one of Segments I and III of the State Route 4 Bypass are planned to be completed in 2005. Once the first phase of each segment is constructed, additional phases (widening) will occur based on traffic demand and funding availability. Ultimately, interchanges are planned for Laurel Road, Lone Tree Way, Sand Creek Road, Balfour Road, Marsh Creek Road, and the recently improved Vasco Road. This route will eventually replace Highway 4 as the main City thoroughfare.

The City is also served by bus lines and railroads. Bay Area Rapid Transit (BART) provides a bus service from nearby Antioch connecting to the existing Bay Point BART Station. Despite measures to alleviate traffic problems, traffic congestion is anticipated to become a major constraint to future growth. For more demographic and economic information regarding the City, See "APPENDIX B - THE CITY OF BRENTWOOD."

*The Bonds are payable from Revenues and are not a general obligation of the City, the Authority or the County.*

## **OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICT**

### **Ownership of Property**

*Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the owners have the ability to pay the assessment installments or that, even if they have the ability, they will choose to pay such installments. An owner may elect to not pay the assessments when due and cannot be legally compelled to do so. Neither the City nor any Bondholder will have the ability at any time to seek payment from the owners of property within the District of any assessment or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.*

Approximately 96% (946 out of 984) parcels in the District are improved with single family homes built in the last four years and owned by individual homeowners. The property in the District includes, to a much lesser extent, finished lots, several with homes under

construction by homebuilders, and two parcels zoned for commercial uses and owned by a single entity.

**Payers of Largest Assessments**

The following table lists the payers of the largest assessments in the District as of the fiscal year 2004-05 tax roll.

**City of Brentwood  
Assessment District 2000-1  
Largest Assessments by Ownership  
Fiscal Year 2004-05**

<u>Owner</u>	<u>Remaining Assessment</u>	<u>Percent of Remaining Assessment</u>
Sunset Crossing Brentwood <sup>(1)</sup>	\$329,510	2.78%
J.R. Brentwood Associates <sup>(2)</sup>	143,996	1.21
Western Pacific Housing <sup>(3)</sup>	114,061	.96
Various Homeowners	12,673 (each)	.11 (each)

- (1) Represents 26 single family homes under construction; all are under contract for sale to homeowners.
- (2) Represents two commercial zoned parcels.
- (3) Represents 9 single family home lots to be developed in Stonebrooke Estates II.

**Valuation of Property in the District**

The value of the land within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of an assessment, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent assessments. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Covenant to Commence Superior Court Foreclosure" and "BONDOWNERS' RISKS - Bankruptcy and Foreclosure." Reductions in District property values due to a downturn in the economy, natural disasters such as earthquakes or floods, stricter land use regulations or other events could have an adverse impact on the security for payment of the assessments.

**2004-05 County Assessed Valuation.** In connection with valuing property in the District, the City has obtained the 2004-2005 County assessed valuation (the "**Assessed Valuation**") of the property in the District. Due to the recent and ongoing nature of development of homes in the District, the County assessed valuations are not in all cases reflective of most current development status, as is the case with certain properties in the District. (See "Visual Inspection for Recent Improvements" following this paragraph). As provided by Article XIII A of the California Constitution, county assessors' assessed values are to reflect market value as of the date the property was last assessed (or 1975, which ever is more recent), increased by a maximum of 2% per year. Properties may be reassessed by the County only upon a change of at least 51% ownership of existing property or upon new construction. The assessed values of parcels in the District thus reflect, for undeveloped parcels, the estimate of the County Assessor (the "**Assessor**") of market value when acquired (or 1975, whichever is later), possibly increased by 2% per year, and for parcels on which construction has occurred since their date of acquisition, the Assessor's estimate of market value as of the time of construction, possibly increased by 2% per year. The actual market value of parcels in the District, if sold at foreclosure, may be higher or lower than the Assessor's

assessed values, depending upon the date of the Assessor's most recent assessment. The actual fair market value of any parcel can often be more accurately established through an arms-length sale or an appraisal by an independent appraiser.

**Visual Inspection of Recent Development.** For parcels in the District shown on the 2004-05 County tax roll as having no structure value (which in most cases are properties with recently completed homes or homes under construction), the City has requested the a representative from an appraisal firm, Seevers Jordan Ziegenmeyer, Rocklin, California, drive by such parcels solely to determine the development status, if any, of homes. The appraiser was not instructed to estimate any values for the properties, and has expressed no opinion of value in connection with the assignment. The Assessor's tax roll for 2004-05 indicated that 127 parcels in the District had no structure value, however observation by the appraiser concluded development status of those parcels as follows:

<u>Development Status – 127 Parcels w/ No Structure Value on Roll</u>	<u>No. of Parcels</u>
Finished Homes	89 <sup>(1)</sup>
Homes Under Construction	26
Finished Lots	<u>12</u>
<u>Total</u>	127

<sup>(1)</sup> Includes one unsegregated parcel of 8 completed homes.

The appraiser indicated to the City that, based on his knowledge of the local marketplace, it was reasonable to assume that all of the finished homes and homes under construction had either been sold to homeowners or were the subject of a contract of sale to a homeowner.

Of the 12 finished lots, 9 are owned by Western Pacific Housing and are scheduled to soon be developed as the final homes in its "Stonebrooke Estates II" subdivision. One finished single-family residential lot is owned by an entity controlled by members of the Nunn family and is expected to be used by them to construct a home for their use. The remaining two parcels are (i) an approximate 2.8-acre parcel zoned for commercial and medium density residential uses and (ii) an approximate 2.37-acre parcel zoned for commercial uses. These parcels are owned by JR Brentwood Associates and no plans for development have been proposed to the City.

**Total Value Estimate of All Property.** The aggregate property valuation of the property in the District has been compiled by the City using the 2004-05 County Assessed Valuation. The total estimated valuation of all property in the District subject to the assessments is estimated as shown below. The 89 homes listed as "Finished Homes – Not on Roll" show the Assessed Valuation of the land only and does not reflect the recently completed home on each lot, the existence of which has been verified by the appraiser. Similarly, the Assessed Valuation shown for the "Under Construction" property does not include any partially completed structural improvements.

**City of Brentwood  
Assessment District 2000-1  
Summary of Values**

<u>Development Status</u>	<u>No. of Parcels</u>	<u>2004-05 Assessed Value</u>
Finished Homes on Roll/Sold to Homeowners	850	\$321,901,454
Finished Homes not on Roll	89 <sup>(1)</sup>	7,366,995 <sup>(2)</sup>
Under Construction	26	1,690,780 <sup>(2)</sup>
Finished Lots	<u>12</u>	<u>1,710,237</u>
<b>Total</b>	<b>977</b>	<b>\$332,669,466</b>

<sup>(1)</sup> Includes one unsegregated parcel of 8 units.

<sup>(2)</sup> Land only; does not include completed improvements.

*An assessment is levied on each parcel within the District and only the respective individual parcel is responsible for such assessment.*

**Value to Lien Ratios**

The aggregate property valuation of the real property within the District has been estimated according to the methods described above to be \$332,669,466. See "Valuation of Property" above. The principal amount of the outstanding assessments for the District is \$11,858,732. Consequently, the aggregate value of the real property within the District is 28.05 times the aggregate principal amount of outstanding assessments.

The following table summarizes the value to lien ratios by land use for property in the District.

**BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY  
Assessment District 2000-1  
Value to Lien Ratios by Development Status**

<u>Development Status</u>	<u>No. of Parcels</u>	<u>Assessed Value</u>	<u>Remaining Assessment</u>	<u>Percent of Assm't</u>	<u>Val to Assm't Ratio</u>
Finished Homes on Roll	850	\$321,901,454	\$10,099,384	85%	31.87
Finished Homes not on Roll	89 <sup>(1)</sup>	7,366,995 <sup>(2)</sup>	1,159,107	10	6.36
Under Construction	26	1,690,780 <sup>(2)</sup>	329,510	3	5.13
Finished Lots	<u>12</u>	<u>1,710,237</u>	<u>270,731</u>	<u>2</u>	<u>6.32</u>
<b>Total</b>	<b>977</b>	<b>\$332,669,466</b>	<b>\$11,858,732</b>	<b>100%</b>	<b>28.05</b>

<sup>(1)</sup> Includes one unsegregated parcel of 8 units

<sup>(2)</sup> Land only; does not include value of completed improvements.

In comparing the aggregate value of the real property within the District and the principal amount of the Bonds, it should be noted that only the Assessor's parcel of real property upon which there is a delinquent assessment can be foreclosed upon. All of the real property within the District cannot be foreclosed upon as a whole to pay delinquent assessments unless all of the property is subject to delinquent assessments. Individual parcels may be foreclosed upon to pay delinquent assessments levied against such parcels only. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR.

The principal amount of the Bonds will not be allocated pro-rata among the parcels within the District; rather, the annual assessment installments for the District will be billed annually for each parcel within the District. Upon sale of developed parcels, the buyer typically acquires the property subject to the unpaid portion of any special taxes and assessments levied against the parcel purchased. Special taxes and assessments are not required to be removed from the property and are not required to be, but may be, paid off in full upon transfer of property or upon development of the property.

### **Property Tax Status**

The City reports that the delinquency rate for taxes and assessments for property in the District has been less than 1% since the levy of the assessments and no foreclosure proceedings have been initiated since the formation of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Covenant to Commence Superior Court Foreclosure" and "- Contra Costa County Tax Loss Reserve."

## **BONDOWNERS' RISKS**

*The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### **General**

Under the provisions of the Local Obligation Statute, assessment installments, from which funds for the payment of annual installments of principal of and interest on the Bonds are derived, will be billed to properties against which there are assessments on the regular property tax bills sent to owners of such properties. Such assessment installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Scheduled assessment installments are in aggregate amounts sufficient for payment of the Bonds. A property owner cannot pay the county tax collector less than the full amount due on the tax bill, however it is possible to pay assessment installments directly to the City in satisfaction of the obligation to pay that assessment without paying property taxes also then due. It should also be noted that the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and assessment installment payments in the future.

Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no commitment to pay the principal of or

interest on the Bonds or to support payment of the Bonds in any manner. Accordingly, in the event of delinquency, proceedings may be conducted only against the real property securing the delinquent assessment. Thus, the value of the real property within the District is a critical factor in determining the investment quality of the Bonds. The unpaid assessments are not required to be paid upon sale of property within the District. There is no assurance the owners shall be able to pay the assessment installments or that they shall pay such installments even though financially able to do so. See "Owners Not Obligated to Pay Bonds or Assessments" below.

In order to pay debt service on the Bonds, it is necessary that unpaid installments of assessments on land within the District are paid in a timely manner. Should the installments not be paid on time, the Issuer has established a Reserve Fund for the Bonds from the proceeds of the Bonds to cover delinquencies. The assessments are secured by a lien on the parcels within the District and the City has covenanted to institute foreclosure proceedings to sell parcels with delinquent installments for amounts sufficient to cover such delinquent installments in order to obtain funds to pay debt service on the Local Obligations. No reserve account has been established by the City as a source of payment of the Local Obligations.

Failure by owners of the parcels to pay installments of assessments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of assessments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Local Obligations and Bondowners would therefore be adversely affected.

### **Owners Not Obligated to Pay Bonds or Assessments**

Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the owners have the ability to pay the assessment installments or that, even if they have the ability, they will choose to pay such installments. An owner may elect to not pay the assessments when due and cannot be legally compelled to do so. If an owner decides it is not economically feasible to develop or to continue owning its property encumbered by the lien of the assessment, or decides that for any other reason it does not want to retain title to the property, such owner may choose not to pay assessments and to allow the property to be foreclosed. Such a choice may be made due to a decrease in the market value of the property. A foreclosure of the property will result in such owner's interest in the property being transferred to another party. Neither the City nor any Bondholder will have the ability at any time to seek payment from the owners of property within the District of any assessment or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

### **Bankruptcy and Foreclosure**

The payment of assessments and the ability of the City to foreclose the lien of a delinquent unpaid assessment, as discussed in "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Covenant to Commence Superior Court Foreclosure," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by State law relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to lengthy local court calendars or procedural delays.



The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings should not cause the assessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent assessment installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

### **Availability of Funds to Pay Delinquent Assessment Installments**

Upon receipt of the proceeds from the sale of the Bonds, the City shall establish a Reserve Fund for the Bonds in the amount of the "Reserve Requirement," described herein. The Reserve Requirement in the Reserve Fund shall constitute a trust fund for the benefit of the Owners of the Bonds, shall be held by the Trustee, and shall be administered by the Trustee in accordance with and pursuant to the provisions of the Trust Agreement. If a deficiency occurs in the Interest Fund or the Principal Fund for payment of interest on or principal of the Bonds, the Trustee is required to transfer into such funds an amount out of the Reserve Fund needed to pay debt service, however there is no assurance that the balance in the Reserve Fund will always be adequate to pay the debt service on the Bonds in the event of delinquent assessment installments.

If, during the period of delinquency, there are insufficient funds in either Reserve Fund to pay the principal of and interest on the Bonds as it becomes due, a delay may occur in payments of principal and/or interest to the owners of the Bonds.

### **Limited Obligation Upon Delinquency**

The Issuer's obligation to advance monies to pay Bond debt service in the event of delinquent assessment installments shall not exceed the balance in each Reserve Fund. The City has made an election not to be obligated to advance funds of the City for delinquent assessment installments pursuant to Section 8769(b) of the Local Obligation Statute. During the period of delinquency if there are insufficient funds in the Reserve Fund, a delay may occur in payments to Bondowners. Notwithstanding the foregoing, the City may, at its sole option and at its sole discretion, elect to advance available surplus funds of the City to pay for any delinquent assessment installments pending sale, reinstatement or redemption of any delinquent property.

### **Collection of the Assessment**

In order to pay debt service on the Bonds it is necessary that the assessment installments be paid in a timely manner. Should the installments of assessments not be paid on time, funds in the Reserve Fund may be utilized to pay debt service on the Bonds to the extent other funds are not available therefor.

The assessment installment is to be collected in the same manner as ordinary ad valorem real property taxes are collected and, except as provided in the special covenant for foreclosure described herein and in the Local Obligation Statute, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided

for ad valorem real property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property may be deeded to the State and then is subject to sale by the County.

Pursuant to the Local Obligation Statute, in the event any delinquency in the payment of the assessment installment occurs, the City may commence an action in superior court to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. Amendments to the Local Obligation Statute enacted in 1988 and effective January 1, 1989 provide that under certain circumstances property may be sold upon foreclosure at a lesser Minimum Price or without a Minimum Price. "Minimum Price" as used in the Local Obligation Statute is the amount equal to the delinquent installments of principal or interest of the assessment or reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the Local Obligation Statute. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an ultimate loss to the Bondowners or, under certain circumstances, if owners of 75% or more of the outstanding Bonds consent to such sale. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid a delay in payments of debt service on the Bonds. The City has covenanted for the benefit of the owners of the Bonds that the City will commence foreclosure upon the occurrence of a delinquency as provided in the Trust Agreement, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of the delinquent installments of the assessment against parcels of land in the District for which such installment has been billed but has not been paid, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, all as provided in the Trust Agreement. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Covenant to Commence Superior Court Foreclosure" above. In the event that sales or foreclosures of property are necessary, there could be a delay in payments to holders of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the other sources of payment for the Bonds, as set forth in the Trust Agreement, are depleted. See "BONDOWNERS' RISKS - Bankruptcy and Foreclosure" herein.

### **Limitations on Enforceability of Remedies**

The payment of assessment installments and the ability of the City to foreclose the lien of a delinquent unpaid assessment may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

Although bankruptcy proceedings would not cause the assessment liens to become extinguished, bankruptcy of a property owner could result in a delay in foreclosure proceedings. Such delay, particularly in the case of a major landowner in the District, would increase the likelihood of a delay and a default in payment of the principal of and interest on the Bonds, and the possibility of delinquent assessment installments not being paid in full.

### **Property Values**

A land value determined by a county assessor or an appraiser is an opinion with respect to the market value, and is generally based upon a sales comparison approach, which determines the value of the subject property by comparing it to sales of comparable property, adjusted for differences between the subject and the comparable property. No assurance can be given that if a parcel with delinquent assessment installments is foreclosed, any bid will be

received for such property or, if a bid is received, that such bid will be equal to the value determined by the county assessor or an appraiser, or that it will be sufficient to pay delinquent installments of unpaid assessments.

### **Parity Taxes and Special Assessments**

The assessment and each installment thereof and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended.

There is currently no other bonded assessment lien of the City or special tax on any of the property within the District which is prior to the lien of the assessment.

### **Future Overlapping Indebtedness**

The ability of an owner of land within the District to pay the assessments could be affected by the existence of other taxes and assessments imposed upon the property subsequent to the date of issuance of the Local Obligations. In addition, other public agencies whose boundaries overlap those of the District could, without the consent of the City, and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the property within the District to finance public improvements to be located inside of or outside of the District.

### **No Acceleration Provision**

The Trust Agreement does not contain a provision allowing for the acceleration of the principal of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Trust Agreement.

## CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

### Property Tax Rate Limitations - Article XIII A

On June 6, 1978, the California voters added Article XIII A to the California Constitution which limits the amount of any ad valorem taxes on real property to one percent (1%) of its full cash value, except that additional ad valorem property taxes may be levied to pay debt service on indebtedness approved prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978, by two-thirds of the voters voting on such indebtedness. 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 period." This cash value may be increased at a rate not to exceed two percent (2%) per year to account for inflation. The United States Supreme Court has upheld the validity of Article XIII A in a case decided in June 1992.

Article XIII A as originally implemented has 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 various 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 ad valorem property tax. The 1% property tax is automatically levied annually by the county and distributed according to a formula among using agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978. Any special tax to pay voter-approved indebtedness is levied in addition to the basic 1% property tax.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4.00 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the basic tax rate is expressed as \$1 per \$100 of taxable value.

### Appropriation Limitation - Article XIII B

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIII B. On June 5, 1990, the voters approved Proposition 111, which amended Article XIII B in certain respects. Under Article XIII B, as amended, state and local government entities have an annual "appropriations limit" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of most tax revenues and certain state subventions, together called "proceeds of taxes" and certain

other funds) in an amount higher than the "appropriations limit." Article XIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations limit," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by two-thirds of the voters.

In general terms, the "appropriations limit" is to be based on the adjusted fiscal year 1986-87 appropriations limit, which is traced back through an annual adjustment process to the 1978-79 fiscal year. Annual adjustments reflect changes in California per capita personal income (or, at the City's option, changes in assessed value caused by local nonresidential new construction), population and services provided by these entities. Among other provisions of Article XIIB, if the revenues of such entities in any fiscal year and the following fiscal year exceed the amounts permitted to be spent in such years, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

### **Property Tax Collection Procedures**

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state-assessed public utilities' property and property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. 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 with respect to which taxes are due is delinquent on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector.

Historically, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A ten percent (10%) penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. 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 assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

### **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability to the Authority to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the City (including, if applicable, any increase in such assessment or any supplemental assessment) must be conducted in conformity with the provisions of Section 4 of Article XIID. Any challenge (including any constitutional challenge) to the proceedings or the assessment or special tax must be brought within 30 days after the date the assessment or special tax was levied. All of the assessments securing the Local Obligations were levied prior to the enactment of Proposition 218.

Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIIC does not define the term "assessment", and it is unclear whether this term is intended to include assessments (or reassessments) levied under the Act. Furthermore, this provision of Article XIIC is not, by its terms, restricted in its application to assessments which were established or imposed on or after July 1, 1997. In the case of the unpaid assessments which are pledged as security for payment of the Bonds, the laws of the State provide a mandatory, statutory duty of the City and the County Auditor to post installments on account of the unpaid assessments to the property tax roll of the County each year while any of the Local Obligations are outstanding, commencing with property tax year 1997-98, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year. The City believes that the initiative power cannot be used to reduce or repeal the unpaid assessments which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the City and the County Auditor with respect to the unpaid assessments which are pledged as security for payment of the Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

## THE ISSUER

The Issuer is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to a Joint Exercise of Powers Agreement dated March 14, 1995, as amended and restated by an Amended and Restated Joint Exercise of Powers Agreement dated as of December 1, 2001, by and among the City and the Redevelopment Agency of the City of Brentwood, and is qualified to assist in financing projects and certain public improvements and to issue the Bonds under the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of Chapter 5, Division 7, Title 1 of the California Government Code. The Issuer has no taxing power. The Issuer and the City are each separate and distinct legal entities, and the debts and obligations of one such entity are not debts or obligations of the other entity.

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than eight months after the end of the City's fiscal year (presently June 30) in each year commencing with its report for the 2003-04 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Trustee on behalf of the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Trustee on behalf of the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City is summarized in "APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT." The City has had no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation under the Rule.

## LEGAL OPINION

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel for the Issuer. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Bond. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. Certain matters will be passed upon for the Issuer and the City by the City Attorney of the City. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("**Bond Counsel**"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "**Code**") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("**Premium Bonds**") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Issuer has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person)



whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer or the Beneficial Owners to incur significant expense.

## **NO LITIGATION**

There is no action, suit, or proceeding known by the Issuer or the City to be pending or threatened at the present time restraining or enjoining the delivery of the Local Obligations or the Bonds or the collection of assessments levied by the City in the District or in any way contesting or affecting the validity of the Bonds, the Trust Agreement, the Local Obligations, the 2004 Local Obligation Resolution or any proceedings of the Issuer or the City taken with respect to the execution or delivery thereof.

## **RATINGS**

Standard & Poor's Ratings Service has assigned the rating of "AAA" to the Bonds, with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Financial Security Assurance Inc. Additionally, Standard & Poor's has assigned an underlying rating on the Bonds of "A-". Such ratings reflect only the view of Standard & Poor's Ratings Service and an explanation of the significance of such ratings may be obtained only from Standard & Poor's at the following address: Standard & Poor's Rating Services, 55 Water Street, New York, New York 10041. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds. The District assumes no obligation to attempt to maintain any rating on the Bonds.

## **UNDERWRITING**

RBC Dain Rauscher Inc. has agreed to purchase (i) the Bonds from the Authority at a purchase price of \$12,123,205.65, being the \$12,450,000.00 aggregate principal amount of such Bonds less an Underwriter's discount of \$196,087.50 and less a net original issue discount of \$130,706.85. The purchase contract pursuant to which the Underwriter is purchasing the respective Bonds provides that it will purchase all of such Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

The public offering prices of the Bonds purchased by the Underwriter may be changed from time to time by the Underwriter. The Underwriter may offer and sell such Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof.

**MISCELLANEOUS**

All quotations from, and summaries and explanations of the Trust Agreement, the Local Obligations, the 2004 Local Obligation Resolution, the Bonds, the Act, the Local Obligation Statute or other statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Issuer. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Issuer, the Authority, the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the Issuer, the Authority, the City or the Bonds.

All information contained in this Official Statement pertaining to the Issuer and the City has been furnished by the Issuer and the City and the execution and delivery of this Official Statement has been duly authorized by the Issuer and the City.

**BRENTWOOD INFRASTRUCTURE  
FINANCING AUTHORITY**



By:           /s/ Pamela Ehler            
Treasurer/Controller

**CITY OF BRENTWOOD**



By:           /s/ Pamela Ehler            
Director of Finance and  
Information Services

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## APPENDIX A

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following is a summary of certain provisions of the Amended and Restated Trust Agreement and the Local Obligation Resolution pertaining to the Bonds and the Local Obligations. This summary is supplemental to the summary of other provisions of such documents contained elsewhere in this Official Statement and is not intended to be definitive. Reference is directed to such documents for the complete text thereof. Copies of such documents are available from the City of Brentwood.*

#### Amended and Restated Trust Agreement

##### Definitions

“Accountant” shall mean an independent certified public accountant, or a firm of independent certified public accountants, selected by the Issuer.

“Accountant’s Certificate” shall mean a certificate signed by (i) Bond Logistix LLC or any successor thereto, or (ii) an independent certified public accountant of recognized national standing selected by the Issuer, or a firm of independent certified public accountants of recognized national standing.

“Act” shall mean Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended and supplemented from time to time.

“Amended and Restated Trust Agreement” shall mean the Amended and Restated Trust Agreement dated as of November 1, 2004, among the City, the Issuer and the Trustee, pursuant to which the Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Annual Debt Service” shall mean, for each Bond Year, the sum of (1) the interest falling due on all Outstanding Bonds in such Bond Year, assuming that all Principal Installments are paid as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), and (2) the scheduled Principal Installments of the Outstanding Bonds payable in such Bond Year.

“Assessment District” means the City of Brentwood Assessment District No. 2000-1, for which the Local Obligations were issued.

“Authorized Denominations,” with respect to the Bonds, shall mean five thousand dollars (\$5,000) and any integral multiple thereof, but not exceeding the principal amount of the Bonds maturing on any one date.

“Authorized Officer,” when used with reference to the Issuer, shall mean the Chair, Vice-Chair, Treasurer/Controller or any other Person authorized by the Issuer in a Written Order or resolution to perform an act or sign a document on behalf of the Issuer for purposes of the Amended and Restated Trust Agreement, and, when used with reference to the City, shall mean the City Manager, City Treasurer, Director of Finance and Information Systems or any other Person authorized by the City in a Written Order or resolution to perform an act or sign a document on behalf of the City for the purposes of the Amended and Restated Trust Agreement.

“Average Annual Debt Service” shall mean the average Bond Year Annual Debt Service over all Bond Years during which the Bonds are scheduled to remain Outstanding.

“Bond” or “Bonds” shall mean any or all of the Infrastructure Revenue Refunding Bonds, Series 2004C, authorized and issued by the Issuer and authenticated by the Trustee and delivered under the Amended and Restated Trust Agreement.

“Bond Insurer” means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

“Bond Insurance Policy” means the policy of municipal bond insurance insuring the scheduled payment of principal and interest on the Bonds when due, issued by the Bond Insurer.

“Bond Counsel” shall mean Orrick, Herrington & Sutcliffe LLP or another attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions.

“Bond Register” shall mean the registration books specified as such in the Amended and Restated Trust Agreement.

“Bond Year” shall mean the 12 month period ending September 2, provided, that the first Bond Year shall commence on the Dated Date and end on September 2, 2005.

“Book-Entry Bonds” shall mean any Bonds designated as Book-Entry Bonds pursuant to the Amended and Restated Trust Agreement and registered in the name of the Nominee pursuant to the Amended and Restated Trust Agreement.

“Business Day” shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which the Corporate Trust Office of the Trustee is closed.

“Capital Improvement Fund” means the fund by that name established pursuant to the Amended and Restated Trust Agreement.

“Cash Flow Certificate” shall mean a written certificate executed by a Cash Flow Consultant.

“Cash Flow Consultant” shall mean RBC Dain Rauscher Inc.; provided, that the Issuer may appoint as the Cash Flow Consultant any other financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field relating to municipal securities such as the Bonds, approved by the Bond Insurer appointed and paid by the City or the Issuer and who, or each of whom:

- (1) is in fact independent and not under the domination of the City or the Issuer;
- (2) does not have any substantial interest, direct or indirect, with the City or the Issuer; and
- (3) is not connected with the City or the Issuer as a member, officer or employee of the City or the Issuer, but who may be regularly retained to make annual or other reports to the City or the Issuer.

The Cash Flow Consultant shall not be deemed to have a “financial advisory relationship” with the Issuer within the meaning of California Government Code Section 53590(c).

“Chair” shall mean the Chair of the Issuer.

“City” shall mean the City of Brentwood, California, and its successors.

“City Manager” shall mean the City Manager of the City.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

“Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Agreement, dated as of December 9, 2004 by and between the City and the Trustee.

"Corporate Trust Office" shall mean the office of the Trustee in San Francisco, California, at which at any particular time corporate trust business shall be administered, or such other office as it shall designate, except that with respect to presentation of Bonds for payment, transfer or exchange, such term shall mean the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota or such other office specified by the Trustee.

"Dated Date" shall mean December 9, 2004.

"Deficit Bond Amount" means an amount of Bonds, as determined by a Cash Flow Certificate delivered pursuant to the Amended and Restated Trust Agreement, equal to the difference between: (a) the Required Redemption Amount and (ii) the amount of Bonds which are redeemed from amount deposited in the Redemption Fund pursuant to the Amended and Restated Trust Agreement.

"Deficit Share" means, in each Bond Year, an amount equal to the product of (i) a fraction, the numerator of which is the Deficit Bond Amount and the denominator of which is the total amount of Outstanding Bonds and (ii) Annual Debt Service on the Bonds; provided, that the Deficit Share in any Bond Year shall not be less than the difference between the principal of and interest on the Local Obligations payable in such Bond Year and the Annual Debt Service in such Bond Year.

"Depository" shall mean the securities depository acting as Depository pursuant to the Amended and Restated Trust Agreement.

"DTC" shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" shall mean any event of default specified as such in the Amended and Restated Trust Agreement.

"Expense Fund" shall mean the Fund by that name established pursuant to the Amended and Restated Trust Agreement.

"Expenses" shall mean all administrative costs of the Issuer that are charged directly or apportioned to the administration of the Local Obligations and the Bonds, such as salaries and wages of employees, audits, overhead and taxes (if any), legal fees and expenses, amounts necessary to pay to the United States or otherwise to satisfy requirements of the Code and the regulations thereunder in order to maintain the tax-exempt status of the Bonds, and compensation, reimbursement and indemnification of the Trustee, together with all other reasonable and necessary costs of the Issuer or charges required to be paid by it to comply with the terms of the Amended and Restated Trust Agreement or of the Bonds.

"Fiscal Year" shall mean the fiscal year of the Issuer, which is the period commencing on July 1 in each calendar year and ending on June 30 in the following calendar year.

"Funds" shall mean, collectively, the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Redemption Fund, the Expense Fund, the Capital Improvement Fund, the Obligation Fund and the Rebate Fund, including all accounts therein.

"Government Obligations" shall mean and include any of the following securities: lawful currency of the United States; State and Local Government Series issued by the United States Treasury (SLGS); United States Treasury bills, notes and bonds; and certificates, receipts or other obligations evidencing direct ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any United States Treasury bill, note or bond ("STRIPS").

"Information Services" shall mean the following information services: (i) Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor, (ii) Kenny Information Services "Called Bond Service," 65 Broadway Street, 28th Floor, New York, New

York 10004, (iii) Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports, and (iv) Standard and Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or no such services, as the Issuer may designate in an Officer's Certificate delivered to the Trustee.

"Interest Fund" shall mean the Fund by that name established pursuant to the Amended and Restated Trust Agreement.

"Interest Payment Date" shall mean March 2 and September 2 in each year, commencing on March 2, 2005.

"Investment Securities" shall mean and include any of the following securities, to the extent permitted by the laws of the State (the Trustee is entitled to rely upon investment directions of the Issuer as a certification such investment is permitted by such laws):

1. (a) Direct obligations (other than an obligation subject to variation to principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government sponsored agenda which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC):

Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Senior Debt obligations

- Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives):

Consolidated system-wide bonds and notes

- Federal Home Loan Banks (FHL Banks):

Consolidated debt obligations

- Federal National Mortgage Association (FNMA):

Senior debt obligations

Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)



- Student Loan Marketing Association (SLMA):

Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or cap date)

- Financing Corporation (FICO):

Debt obligations

- Resolution Funding Corporation (REFCORP):

Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short term obligations of which are rated "A-1" or better by S&P.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which issue capital and surplus of at least \$5 million.

6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

7. Money market funds rated "AAM" or "AAM-G" by S&P, or better, including such funds for which the Trustee or an affiliate provides investment advice or other services.

- 8. "State Obligations". which means:

A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S & P and "Aaa" by Moody's meeting the following requirements:

A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

- D. the cash or United States Treasury Obligations serving as security for the municipal

obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Bond Insurer, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A rated structured financing (with a market value approach);

B. The Trustee or a third party acting solely as agent therefor or for the issuer (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferors books);

C. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. All other requirements of S&P in respect of repurchase agreements shall be met.

E. The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Bond Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Issuer and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or

premium paid;

C. the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. the Issuer or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Issuer and the Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Bond Insurer,

E. the investment agreement shall provide that if during its term

i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the providers books) to the Issuer, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moods to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the issuer or the Trustee (who shall give such direction if so directed by the Bond Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Trustee, and

F. The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. The investment agreement must provide that if during its term

i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and

ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of Insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate.

12. The Local Agency Investment Fund (Sections 53600-53609 of the Government Code of the State of California), as now in effect or as may be amended or recodified from time to time; provided, that such investment is held in the name and to the credit of the Trustee; and provided further, that the Trustee may restrict such investment if required to keep moneys available for the purposes of the Amended and Restated Trust Agreement.

13. Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be

amended; provided that such shares are held in the name and to the credit of the Trustee.

"Issuer" shall mean the Brentwood Infrastructure Financing Authority, a joint exercise of powers agency established pursuant to a Joint Exercise of Powers Agreement, dated March 14, 1995, as amended and restated by an Amended and Restated Joint Exercise of Powers Agreement, dated as of December 1, 2001, by and between the City and the Redevelopment Agency of the City of Brentwood, and the laws of the State, and its successors.

"Legally Available Funds" means amounts in the City's wastewater enterprise funds or any other amounts made available by the City to pay the Deficit Share.

"Letter of Representations" shall mean the letter of the Issuer and the Trustee delivered to and accepted by the Depository on or prior to the issuance of the Bonds setting forth the basis on which the Depository serves as depository for such Bonds as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

"Local Agency" shall mean the City of Brentwood, California.

"Local Obligation Resolution" shall mean Resolution No. 2176 adopted by the City Council of the City on October 10, 2000, authorizing issuance of the Local Obligations in its Assessment District No. 2000-1.

"Local Obligations" shall mean the City of Brentwood Limited Obligation Improvement Bonds, Assessment District No. 2000-1, in the original principal amount of \$12,740,000, issued under the Local Obligation Statute for the Assessment District and acquired with the proceeds of the Prior Bonds.

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

"Nominee" shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Amended and Restated Trust Agreement.

"Obligation Fund" shall mean the fund by that name established pursuant to the Amended and Restated Trust Agreement.

"Officer's Certificate" shall mean a certificate signed by an Authorized Officer.

"Opinion of Bond Counsel" shall mean a legal opinion signed by a Bond Counsel.

"Outstanding" shall mean, with respect to the Bonds and as of any date, the aggregate of Bonds authorized, issued, authenticated and delivered under the Amended and Restated Trust Agreement, except:

(a) Bonds canceled or surrendered to the Trustee for cancellation pursuant to the Amended and Restated Trust Agreement;

(b) Bonds deemed to have been paid as provided in the Amended and Restated Trust Agreement; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Amended and Restated Trust Agreement.

"Owner" shall mean, as of any date, the Person or Persons in whose name or names a particular Bond shall be registered on the Bond Register as of such date.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

"Prepayment" shall mean any payment with respect to a Local Obligation as a result of prepayments of assessments by property owners which, pursuant to the terms of such Local Obligation, would require all or any portion of such Local Obligation to be redeemed prior to the maturity thereof, in either case whether or not such payment includes any premium or prepayment penalty.

"Principal Fund" shall mean the Fund by that name established pursuant to the Amended and Restated Trust Agreement.

"Principal Installment" shall mean, with respect to any Principal Payment Date, the principal amount of Outstanding Bonds due on such date, or mandatory sinking account payment required to be paid on any Principal Payment Date and used to redeem a portion of any Bond on such date, if any.

"Principal Payment Date" shall mean September 2 of each year commencing September 2, 2005, and ending on the last date on which any Bonds are scheduled to mature.

"Property Owner" shall mean an owner or property within the Assessment District.

"Rebate Fund" shall mean the Fund by that name established pursuant to the Amended and Restated Trust Agreement.

"Rebate Instructions" shall mean those calculations and directions required to be delivered to the Trustee by the Issuer pursuant to the Tax Certificate.

"Rebate Requirement" shall mean the Rebate Requirement defined in the Tax Certificate.

"Record Date" shall mean the fifteenth (15th) day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

"Redemption Amount" means (i) with respect to any redemption of Bonds, the amount of the principal amount thereof plus the redemption premium, if any, applicable as of the date of calculation, and (ii) with respect to any Local Obligations, 103% of the principal amount thereof.

"Required Redemption Amount" means, with respect to any redemption of Bonds pursuant to the Amended and Restated Trust Agreement, the product of (i) a fraction, the numerator of which is the principal amount of the Property Owner Prepayments triggering such redemption (excluding accrued interest, prepayment penalty and other charges) and the denominator of which is the total amount of Local Obligations outstanding immediately prior to the Property Owner Prepayments and (ii) the total amount of Outstanding Bonds.

"Redemption Fund" shall mean the Fund by that name established pursuant to the Amended and Restated Trust Agreement.

"Requisition of the Issuer" shall mean a requisition of the Issuer delivered to the Trustee pursuant to the Amended and Restated Trust Agreement.

"Reserve Fund" shall mean the Fund by that name created pursuant to the Amended and Restated Trust Agreement.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Bond Insurer to fund the Reserve Requirement.

"Reserve Requirement" shall mean, as of any date of calculation, the Maximum Annual Debt Service on the Bonds. The Reserve Requirement with respect to the Bonds as of Dated Date is \$825,437.50.

"Revenue Fund" shall mean the Fund by that name established pursuant to the Amended and Restated Trust Agreement.

"Revenues" shall mean (i) Local Obligation Revenues and all other amounts received by the Trustee as the payment of interest or premiums on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments or Property Owner Prepayments or remedial proceedings taken in the event of a default thereon, (ii) all investment earnings on any moneys held in the Funds or accounts established under Amended and Restated Trust Agreement, except the Rebate Fund, and (iii) any amounts paid by the City pursuant to Amended and Restated Trust Agreement.

"Secretary" shall mean the Secretary of the Issuer.

"Securities Depositories" shall mean the following registered securities depositories: (i) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax - 516/227-4039 or 4190, (ii) Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax - 312/663-2343, and (iii) Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex - 215/496-5058; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Issuer may designate in an Officer's Certificate delivered to the Trustee.

"S&P" shall mean Standard and Poor's Ratings Services, a division of the McGraw Hill Companies Inc., and its successors.

"Special Record Date" shall mean the date established by the Trustee pursuant to the Amended and Restated Trust Agreement as a record date for the payment of defaulted interest on the Bonds.

"State" shall mean the State of California.

"Supplemental Trust Agreement" shall mean any trust agreement supplemental to or amendatory of the Amended and Restated Trust Agreement which is duly executed and delivered in accordance with the provisions of the Amended and Restated Trust Agreement.

"Tax Certificate" shall mean that certificate, relating to various federal tax requirements, including the requirements of Section 148 of the Code, signed by the Issuer and the City on the date the Bonds are issued, as the same may be amended or supplemented in accordance with its terms.

"Treasurer" shall mean the Treasurer/Controller of the Issuer.

"Trust Estate" shall have the meaning ascribed thereto in the granting clause of Amended and Restated Trust Agreement.

"Trustee" shall mean U.S. Bank National Association, a national banking association, duly organized and existing under the laws of the United States of America, in its capacity as trustee under Amended and Restated Trust Agreement, and any successor as trustee thereunder.

"Vice-Chair" shall mean the Vice-Chair of the Issuer.

"Written Order", when used with reference to the Issuer, shall mean a written direction of the Issuer to the Trustee signed by an Authorized Officer, and, when used with reference to the City, shall mean a written direction of the City to the Trustee signed by an Authorized Officer.

## **Funds and Accounts; Flow of Funds**

### Establishment of Funds and Accounts

The Amended and Restated Trust Agreement provides for the establishment of the following special trust funds and accounts to be held and administered by the Trustee: the Revenue Fund, the Series 2004A Interest Fund, the Series 2004A Principal Fund, the Series Reserve Fund, the Series 2004B Interest Fund, the Series 2004B Principal Fund, the Series 2004B Reserve Fund, the Redemption Fund, the Capital Improvements Fund, the Expense Fund, the Obligation Fund and the Rebate Fund.

### Obligation Fund.

All Local Obligations shall be held in the Obligation Fund by the Trustee. The City covenants that it will not cause any Local Obligation to be refunded in whole or in part unless at the time of such refunding no Bonds will be Outstanding under the Amended and Restated Trust Agreement.

### Covenant Respecting Redemption Funds for the Local Obligations.

(a) The City expressly acknowledges that, pursuant to the Local Obligation Statute and the Local Obligation Resolution pursuant to which the Local Obligations were issued by the City and sold to the Issuer, the City is legally obligated to establish and maintain a separate redemption fund for the Local Obligations (the "Local Obligation Redemption Fund") which, for the Local Obligations, is held by the Treasurer of the City under the Local Obligation Resolution and, so long as any part of the Local Obligations remains outstanding, to deposit into the Local Obligation Redemption Fund, upon receipt, any and all Local Obligation Revenues received by the City. The City further acknowledges that, pursuant to the Local Obligation Statute and the Local Obligation Resolution, no temporary loan or other use whatsoever may be made of the Local Obligation Revenues, and the Local Obligation Redemption Fund constitutes a trust fund for the benefit of the owners of the Local Obligations.

(b) The City covenants for the benefit of the Issuer, as owner of the Local Obligations, the Trustee, as assignee of the Issuer with respect to the Local Obligations, the Bond Insurer and the Owners from time to time of the Bonds, that it will establish, maintain and administer the Local Obligation Redemption Fund and the Local Obligation Revenues in accordance with their status as trust funds as prescribed by the Local Obligation Statute, the Local Obligation Resolution, and the Amended and Restated Trust Agreement.

(c) The City further covenants that, no later than ten (10) Business Days prior to each Interest Payment Date and Principal Payment Date on the Bonds, the City will advance to the Trustee against payment on the Local Obligations, as assignee of the Issuer with respect to the Local Obligations, the interest due on the Local Obligations on such Interest Payment Date and the principal of all Local Obligations maturing on such Principal Payment date, respectively, and upon receipt by the Trustee, such amounts shall constitute Revenues. The Trustee shall provide written notice to the Issuer no later than February 1 and August 1 of each year during which the Bonds remain outstanding specifying the amount required to be paid to the Trustee in each such month.

### Capital Improvements Fund

Amounts in the Capital Improvement Fund shall be withdrawn by the Trustee and transferred to or upon the order of the City for the purpose of paying the cost of public capital improvements (as defined in the Act) upon receipt of a written requisition of the City.

### Revenue Fund

All Revenues, other than Revenues derived from Property Owner Prepayments (which shall be identified in writing to the Trustee by the City and deposited in the Redemption Fund), received by the Trustee shall be deposited into the Revenue Fund. Not later than 5 Business Days prior to each Interest Payment Date and Principal Payment Date on the Bonds, the Trustee shall transfer Revenues from the Revenue Fund, in the amounts specified in the Amended and Restated Trust Agreement, for deposit into the respective funds and in the order of priority set forth

therein, the requirements of each fund to be fully satisfied, leaving no deficiencies therein, prior to any deposit into any fund later in priority.

#### Interest Fund

The Trustee shall deposit in the Interest Fund before each Interest Payment Date from the Revenue Fund an amount of Revenues which together with any amounts then on deposit in the Interest Fund is equal to the interest on the Bonds due on such date. On each Interest Payment Date, the Trustee shall pay the interest due and payable on the Bonds on such date from the Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable.

#### Principal Fund

The Trustee shall next deposit in the Principal Fund before each Principal Payment Date from the Revenue Fund an amount of Revenues which together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Bonds which have matured but which have not been presented for payment), is sufficient to pay the Principal Installments on the Bonds when due on such Principal Payment Date. The Trustee shall pay the Principal Installments when due upon presentation and surrender of the subject Bonds.

#### Reserve Fund

The Trustee shall deposit in the Reserve Fund the Reserve Policy. All amounts available under the Reserve Policy shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or the principal or the redemption premiums, if any, of the Bonds; but solely in the event that insufficient moneys are available in the Interest Fund, the Principal Fund, or the Redemption Fund for such purpose. Having first satisfied the requirements of the deposits in the Interest Fund and the Principal Fund, the Trustee shall next deposit in the Reserve Fund an amount of Revenues which, together with the amount of the Reserve Policy and any other amounts on deposit in the Reserve Fund, equal the Reserve Requirement. Such amounts shall be applied in the following order of priority: first, to reimburse the Bond Insurer for any principal draws on the Reserve Policy, provided, that such reimbursement shall result in reinstatement of the Reserve Policy in the amount of such reimbursement; second, to add to the amount of cash on deposit in the Reserve Fund such that the amount of such cash, plus the amount available under the Reserve Policy, is equal to the Reserve Requirement; and third, to the payment of any other amounts owing to the Bond insurer all as set forth in the Amended and Restated Trust Agreement.

Deficit Share Payments. Upon any optional redemption of the Bonds as a result of Property Owner Prepayments, the Cash Flow Certificate delivered pursuant to the Amended and Restated Trust Agreement shall specify the Deficit Bond Amount. The City may, at its option, transfer to the Trustee for deposit in the Redemption Fund, from Legally Available Funds, all or any portion of the Deficit Bond Amount. If such transfer is made, the Cash Flow Certificate and Redemption Instructions shall be revised to reflect such transfer. Any such transfer shall be applied to the redemption of Bonds pursuant to the Amended and Restated Trust Agreement. Until such time as the Deficit Bond Amount is zero, the City shall pay to the Trustee, on or before March 2 and September 2 in each Bond Year, an amount equal to the portion of the Deficit Share related to the debt service on the Bonds payable on each such date. If for any reasons said amount equal to the portion of the Deficit Share is not paid, the City shall pay the Deficit Share from any Legally Available Funds which are pledged by the City (subject to any prior liens or encumbrances) to the payment of the Deficit Share. To further secure the obligation to pay amounts with respect to the Deficit Share, the City covenants for the benefit of the holders of the Bonds as follows:

(1) The City will not incur any indebtedness secured by Legally Available Funds (either senior or subordinate) unless such indebtedness includes a covenant to levy and collect rates and charges sufficient so that the amount of revenues, after deduction for maintenance and operation expenses payable from such revenues, from which such debt is to be paid is at least equal in each fiscal year to the 110% of the debt service on all secured debt payable from such revenues; and

(2) The City will fund any payment with respect to any Deficit Share pursuant to the Amended and Restated Trust Agreement after: (a) the payment of operating and maintenance expenses payable from Legally



Available Funds and; (b) the payment of debt service on other debt secured by Legally Available Funds. These required payments, including any payments with respect to a Deficit Share, would be made monthly prior to releasing surplus Legally Available Funds.

#### Revenues Derived From Property Owner Prepayments.

(a) The City and the Issuer acknowledge that the Local Obligation Statute requires that amounts received by the City on account of Property Owner Prepayments shall be utilized, in accordance with the Local Obligation Statute, for the sole purpose of prior redemption of Local Obligations and not to pay current, scheduled debt service payments on the Local Obligations. Correspondingly, in order to maintain a proper matching between debt service payments on the Local Obligations and debt service payments on the Bonds, it is a requirement of the Amended and Restated Trust Agreement that Revenues received by the Trustee which constituted Property Owner Prepayments when received by the City shall be utilized by the Trustee pursuant to the Amended and Restated Trust Agreement.

(b) The Issuer covenants for the benefit of the Bond Insurer and Owners that, as to each separate date upon which Bonds are to be redeemed from the proceeds of Property Owner Prepayments, the Written Orders of the Issuer required pursuant to the Amended and Restated Trust Agreement shall, as nearly as possible and any payment of a Deficit Bond Amount pursuant to the Amended and Restated Trust Agreement, apply such Property Owner Prepayments to the redemption of Bonds.

(c) All Revenues derived from Property Owner Prepayments (except the portion of such Revenues relating to accrued interest, which shall be deposited in the Revenue Fund) received by the Trustee shall be immediately deposited in the Redemption Fund to be used to redeem Bonds pursuant to the Amended and Restated Trust Agreement.

#### Expense Fund

In addition, having first satisfied the requirements of deposits in the Interest Fund, the Principal Fund, the Reserve Fund, the Trustee shall next deposit in the Expense Fund from Revenues an amount specified in a Written Order of the Issuer. The Issuer shall deliver to the Trustee within thirty (30) days after the beginning of each Fiscal Year a Written Order specifying the amount of Expenses it anticipates will be required to be paid in such Fiscal Year. The Issuer may amend such Written Order at any time during the Fiscal Year by filing a new Written Order with the Trustee which shall supersede all previously filed Written Orders with respect to Expenses. Amounts in the Expense Fund shall be applied by the Trustee to the payment of Expenses upon receipt of a Requisition of the Issuer stating the Person to whom payment is to be made, the amount and purpose of the payment and that (i) such payment is a proper charge against the Expense Fund, and (ii) such payment has not been previously paid from the Expense Fund. Any amounts remaining in the Expense Fund on the last day of each Fiscal Year shall be retained in the Expense Fund unless the Issuer delivers a Written Order to the Trustee requesting that such amounts be transferred to the City. Any amounts so transferred shall be subject to the provisions of the Amended and Restated Trust Agreement.

#### Transfer to Capital Improvement Fund

Having first satisfied the requirements of the deposits in the Interest Fund, the Principal Fund, the Reserve Fund and the Expense Fund, the Trustee shall transfer any remaining amount in the Revenue Fund to the Capital Improvement Fund.

#### Redemption Fund

All moneys held in or transferred to the Redemption Fund pursuant to the Amended and Trust Agreement shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Bonds pursuant to the Amended and Trust Agreement. The Trustee shall use amounts in the Redemption Fund for the payment of the redemption price of Bonds called for redemption pursuant to the Amended and Trust Agreement or the purchase

price of Bonds purchased pursuant to the Amended and Trust Agreement, together with accrued interest to the redemption or purchase date.

#### Rebate Fund

The Trustee agrees to establish and maintain a fund separate from any other fund established and maintained under Amended and Restated Trust Agreement designated the Rebate Fund. The Trustee shall deposit in the Rebate Fund, from funds made available by the Issuer, the Rebate Requirement, all in accordance with Rebate Instructions received from the Issuer. The Trustee will apply moneys held in the Rebate Fund as provided in the Amended and Restated Trust Agreement and according to instructions provided by the Issuer. Subject to the provisions of the Amended and Restated Trust Agreement, moneys held in the Rebate Fund are pledged to secure payments to the United States of America. The Issuer and the Owners will have no rights in or claim to such moneys. The Trustee will invest all amounts held in the Rebate Fund in Investment Securities as directed in writing by the Issuer and all investment earnings with respect thereto shall be deposited in the Rebate Fund.

Notwithstanding any other provision of the Amended and Restated Trust Agreement, including defeasance of the Bonds, the obligation to remit the rebate amounts to the United States and to comply with all other requirements of the Amended and Restated Trust Agreement and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

#### **Security for and Investment of Moneys**

##### Security.

All moneys required to be deposited with or paid to the Trustee in any of the Funds (other than the Rebate Fund) referred to in any provision of the Amended and Restated Trust Agreement shall be held by the Trustee in trust, and except for moneys held for the payment or redemption of Bonds or the payment of interest on Bonds pursuant to the Amended and Restated Trust Agreement, shall, while held by the Trustee, constitute part of the Trust Estate and shall be subject to the lien and pledge created thereby.

##### Investment of Funds.

(a) So long as the Bonds are Outstanding and there is no default under the Amended and Restated Trust Agreement, moneys on deposit to the credit of the Redemption Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Capital Improvement Fund, and all accounts within such funds (other than amounts invested in Local Obligations) shall, at the request of an Authorized Officer of the Issuer, which shall be in writing at least two (2) Business Days prior to the date of investment, specifying and directing that such investment of such funds be made, be invested by the Trustee in Investment Securities having maturities or otherwise providing for availability of funds when needed for purposes of the Amended and Restated Trust Agreement, and moneys held in the Rebate Fund shall, at the request of an Authorized Officer of the Issuer, which shall be confirmed in writing at least two (2) Business Days prior to the date of investment, specifying and directing that such investment of such funds be made, be invested by the Trustee in Government Obligations having maturities or otherwise providing for availability of funds when needed for purposes of the Amended and Restated Trust Agreement. The Trustee shall notify the Issuer in writing no less than five (5) Business Days prior to the date moneys held under the Amended and Restated Trust Agreement will be available for investment. The Authorized Officer of the Issuer, in issuing such written instructions, shall comply with the provisions of the Tax Certificate. In the absence of written instructions from the Authorized Officer of the Issuer regarding investment, such funds shall be invested in investments described in clause (7) of the definition of Investment Securities. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of investments.

(b) Notwithstanding anything to the contrary contained in the Amended and Restated Trust Agreement, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund (or account) from which such accrued interest was paid.

The securities purchased with the moneys in each such Fund shall be deemed a part of such Fund. If at any time it shall become necessary or appropriate that some or all of the securities purchased with the moneys in any such Fund be redeemed or sold in order to raise moneys necessary to comply with the provisions of the Amended and Restated Trust Agreement, the Trustee shall effect such redemption or sale, employing, in the case of a sale, any commercially reasonable method of effecting the same. The Trustee will furnish the Issuer monthly cash transaction statements which include detail for all investment transactions made by the Trustee under the Amended and Restated Trust Agreement.

Investments in the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Capital Improvement Fund and the Redemption Fund, may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Amended and Restated Trust Agreement for transfer to or holding in particular Funds amounts received or held by the Trustee; provided, that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided in the Amended and Restated Trust Agreement.

(c) Except as provided in the Amended and Restated Trust Agreement, all earnings on the investment of the moneys on deposit in any fund shall remain a part of such fund. Amounts on deposit in the Reserve Fund in excess of the Reserve Requirement shall be held in the Reserve Fund until each February 15 and August 15, respectively, and shall be applied as directed in the Amended and Restated Trust Agreement; provided, that on each August 15, after making any transfer to the Redemption Fund on such date as required by the Amended and Restated Trust Agreement, any remaining amounts on deposit in said Reserve Fund in excess of the Reserve Requirement shall be first applied to reimburse the Policy Costs and then shall be transferred to the City for deposit in the redemption fund for the Local Obligations.

#### **Covenants of the Issuer and the City**

Payment of Bonds; No Encumbrances. The Issuer shall cause the Trustee to promptly pay, from Revenues and other funds derived from the Trust Estate pledged under the Amended and Restated Trust Agreement, the principal of and redemption premium, if any, on and the interest on every Bond issued under and secured by the Amended and Restated Trust Agreement at the place, on the dates and in the manner specified in the Amended and Restated Trust Agreement and in such Bonds according to the true intent and meaning thereof. The Issuer shall not issue any bonds, notes or other evidences of indebtedness or incur any obligations payable from or secured by the Trust Estate, other than the Bonds.

Enforcement and Amendment of Local Obligations. The City, the Issuer and Trustee shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Bond Insurer and the Owners under the Amended and Restated Trust Agreement.

The City, the Issuer and the Trustee may, without the consent of or notice to the Owners, but with the consent of the Bond Insurer, consent to any amendment, change or modification of any Local Obligation that may be required (a) to conform to the provisions of the Amended and Restated Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Local Obligation, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the Owners of the Bonds pursuant to an Opinion of Bond Counsel, (e) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Local Obligation or the Bonds from federal income taxes or the exemption from California personal income tax.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the City, the Issuer nor the Trustee shall consent to any amendment, change or modification of any Local Obligation without the consent of the Bond Insurer and the mailing of notice and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the Amended and Restated Trust Agreement. If at any time the Issuer and the City, as the case may be, shall request the consent of the Trustee to any such proposed amendment, change or modification of a Local Obligation, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by the Amended and

Restated Trust Agreement. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Owners. Nothing contained in the Amended and Restated Trust Agreement shall be construed to prevent the Trustee, with the consent of the Issuer and the Bond Insurer, from settling a default under any Local Obligation on such terms as the Trustee may determine to be in the best interests of the Owners.

Further Documents. The Issuer covenants that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of the Amended and Restated Trust Agreement; provided, that no such instruments or actions shall pledge the faith and credit or the taxing power of the State or any political subdivision of the State. The Issuer covenants and agrees to take such action as is necessary from time to time to perfect or otherwise preserve the priority of the pledge of Trust Estate under applicable law.

Tax Covenants.

(a) The Issuer and the City will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The Issuer and the City will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer or take or omit to take any action that would cause the Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code or obligations which are "federally guaranteed" within the meaning of Section 149(b) of the Code. The Issuer will not allow ten percent (10%) or more of the proceeds of the Bonds to be used in the trade or business of any nongovernmental units and will not lend five percent (5%) or more of the proceeds of the Bonds to any nongovernmental units.

(b) The Issuer and the City will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Issuer and the City will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. In the event that at any time the Issuer is of the opinion that it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Amended and Restated Trust Agreement, the Issuer will so instruct the Trustee in writing, and the Trustee will take such actions as directed by such instructions.

(c) The Issuer will pay or cause to be paid the Rebate Requirement as provided in the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds. The Issuer will cause the Rebate Requirement to be deposited in the Rebate Fund as provided in the Tax Certificate.

The Trustee will conclusively be deemed to have complied with the provisions of the Amended and Restated Trust Agreement including the provisions of the Tax Certificate if it follows the directions of the Issuer set forth in the Tax Certificate and the Rebate Instructions and shall not be required to take any actions under the Amended and Restated Trust Agreement in the absence of Rebate Instructions from the Issuer.

(d) Notwithstanding any provision of the Amended and Restated Trust Agreement, if the Issuer shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under the Amended and Restated Trust Agreement is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee and the Issuer may conclusively rely on such Opinion in complying with the requirements of the Amended and Restated Trust Agreement, and the covenants thereunder shall be deemed to be modified to that extent.

(e) The provisions of the Amended and Restated Trust Agreement shall survive the defeasance of the Bonds.

Maintenance of Existence. The Issuer shall maintain the existence, powers and authority of the Issuer as a joint powers authority under California law.

Continuing Disclosure. The City and the Trustee covenant and agree that they will comply with and carry out all of their respective obligations under the Continuing Disclosure Agreement. Any provisions of the Continuing Disclosure Agreement may, however, be modified or waived only if there is filed with the Trustee, and the City an Opinion of Bond Counsel to the effect that such modification or waiver will not, in and of itself, cause the undertakings in the Continuing Disclosure Agreement to no longer satisfy the requirements of Securities Exchange Commission Rule 15c2-12(b)(5). Notwithstanding any other provision of the Amended and Restated Trust Agreement, failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default and shall not be deemed to create any monetary liability on the part of the City or the Trustee to any other persons, including Owners; however, any Owner or beneficial owner of the Bonds or the Trustee, at the written request of the Owners of at least 25% aggregate principal amount in Outstanding Bonds, the Trustee shall, but only to the extent funds or other indemnity in an amount satisfactory to the Trustee have been provided to it to hold the Trustee harmless from any loss, cost, liability or expenses and additional charges of the Trustee and fees and expenses of its attorneys, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under the Amended and Restated Trust Agreement.

### **Defaults and Remedies**

Events of Default. The following shall constitute "Events of Default:"

- (a) if payment of interest on the Bonds shall not be made when due; or
- (b) if payment of any Principal Installment shall not be made when due and payable, whether at maturity, by proceedings for redemption, or otherwise; or
- (c) if the Issuer or the City shall fail to observe or perform in any material way any other agreement, condition, covenant or term contained in the Amended and Restated Trust Agreement on its part to be performed, and such failure shall continue for thirty (30) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Issuer or the City, as the case may be, by the Trustee, the Bond Insurer or by the Owner(s) of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding with the consent of the Bond Insurer, provided, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the City within the applicable period and diligently pursued until the default is corrected.

Proceedings by Trustee; No Acceleration. Upon the happening and continuance of any Event of Default the Trustee in its discretion may, with the Bond Insurer's consent and shall, at the Bond Insurer's direction or at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding shall with the consent of the Bond Insurer (but only if indemnified to its satisfaction from any liability, expenses or costs), do the following:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to receive and collect the Revenues;
- (b) bring suit upon or otherwise enforce any defaulting Local Obligation;
- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;
- (d) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the earnings, income, issues, products, profits and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and
- (e) take such action with respect to any and all Obligations or Investment Securities as the Trustee shall deem necessary and appropriate, subject to the Amended and Restated Trust Agreement and to the terms of such Obligations or Investment Securities.

The Trustee shall have no right to declare the principal of all of the Bonds then Outstanding, or the interest accrued thereon, to be due and payable immediately.

Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Trustee, the Bond Insurer and the Owners shall be restored to their former positions and rights under the Amended and Restated Trust Agreement, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Rights of Owners. Anything in the Amended and Restated Trust Agreement to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in the Amended and Restated Trust Agreement, upon the happening and continuance of any Event of Default, the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding with the consent of the Bond Insurer shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Amended and Restated Trust Agreement.

The Trustee may refuse to follow any direction that conflicts with law or the Amended and Restated Trust Agreement or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability without adequate indemnification therefor.

Restriction on Owner's Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Amended and Restated Trust Agreement, no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Amended and Restated Trust Agreement, or any other remedy under the Amended and Restated Trust Agreement or on the Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as provided in the Amended and Restated Trust Agreement and unless the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Amended and Restated Trust Agreement, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case to be conditions precedent to the execution of the trusts of the Amended and Restated Trust Agreement or for any other remedy under the Amended and Restated Trust Agreement, it being understood and intended that no one or more Owners of the Bonds secured by the Amended and Restated Trust Agreement shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Amended and Restated Trust Agreement, or to enforce any rights thereunder or under the Bonds, except in the manner provided in therein, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Amended and Restated Trust Agreement, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of the Amended and Restated Trust Agreement. Notwithstanding the foregoing provisions of the Amended and Restated Trust Agreement or any other provision thereof, the obligation of the Issuer shall be absolute and unconditional to pay, but solely from the Trust Estate, the principal of and the redemption premiums, if any, on and the interest on the Bonds to the respective Owners thereof at the respective due dates thereof, and nothing in the Amended and Restated Trust Agreement shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

Waiver of Events of Default; Effect of Waiver. Upon the written request of the Bond Insurer or the Owners of at least a majority in aggregate principal amount of all Outstanding with the consent of the Bond Insurer Bonds the Trustee shall waive any Event of Default under the Amended and Restated Trust Agreement and its consequences. The Trustee may waive any Event of Default under the Amended and Restated Trust Agreement and its consequences at any time with the consent of the Bond Insurer. If any Event of Default shall have been waived as provided in the Amended and Restated Trust Agreement, the Trustee shall promptly give written notice of

such waiver to the Issuer and shall give notice thereof by first class mail, postage prepaid, to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee, the Bond Insurer or of any Owner to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by the Amended and Restated Trust Agreement to the Trustee and to the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys. Any moneys received by the Trustee pursuant to the Amended and Restated Trust Agreement shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel incurred in representing the Owners, be applied as follows:

- (a) unless the principal of all of the Outstanding Bonds shall be due and payable,

FIRST - To the payment of the Owners of the Bonds entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment of the Owners of the Bonds entitled thereto of the unpaid principal of and redemption premiums, if any, on any of the Bonds which shall have become due (other than the Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Amended and Restated Trust Agreement) in the order of their due dates, and if the amount available shall not be sufficient to pay in full the principal of and redemption premiums, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the Persons entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the Owners of the Bonds entitled thereto as the same shall become due of the principal of and redemption premiums, if any, on and interest on the Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available shall not be sufficient to pay in full such principal and redemption premiums, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs above.

(b) if the principal of all of the Outstanding Bonds shall be due and payable, to the payment of the principal and redemption premiums, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of the principal of or the redemption premium, if any, on any Outstanding Bond over any other Outstanding Bond or of any interest on any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal and redemption premiums, if any, and interest, to the Owners entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

(c) After having first satisfied all obligations to Owners of Bonds pursuant to the above subsections (a) and (b) and Reserve Replenishment, then any remaining moneys received by the Trustee pursuant to the Amended and Restated Trust Agreement shall be transferred to the City.

(d) Whenever moneys are to be applied pursuant to the provisions of the Amended and Restated Trust Agreement, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

(e) Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or the occurrence and continuance of an event which with notice or lapse of time or both would constitute an Event of Default, amounts on deposit in the Capital Improvement Fund shall not be disbursed but shall instead be applied to the payment of debt service or redemption price of the Bonds.

### **The Trustee**

The Trustee accepts and agrees to the trusts created by the Amended and Restated Trust Agreement to all of which the Issuer agrees and the respective Owners of the Bonds, by their purchase and acceptance thereof, agree.

#### Duties, Immunities and Liability of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Amended and Restated Trust Agreement, and no implied duties or obligations shall be read into the Amended and Restated Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Amended and Restated Trust Agreement, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Issuer may, in the absence of an Event of Default, and upon receipt of an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this section, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, shall, remove the Trustee by giving written notice of such removal to the Trustee, and thereupon the Issuer shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may, subject to (d) below, resign by giving written notice of such resignation to the Issuer and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the Bond Register. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Amended and Restated Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the Issuer and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Amended and Restated Trust Agreement; but, nevertheless, at the written request of the Issuer or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Amended and Restated Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Amended and Restated Trust Agreement. Upon request of the successor Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the



Amended and Restated Trust Agreement, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts under the Amended and Restated Trust Agreement by first class mail, postage prepaid, to the Owners at their addresses listed in the Bond Register.

(e) Any Trustee appointed under the provisions of the Amended and Restated Trust Agreement shall be a trust company or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Amended and Restated Trust Agreement the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Trustee shall resign immediately in the manner and with the effect specified in the Amended and Restated Trust Agreement.

(f) No provision in the Amended and Restated Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under the Amended and Restated Trust Agreement. The Trustee shall be entitled to interest on all moneys advanced by it under the Amended and Restated Trust Agreement at its prime rate then in effect plus two percent.

(g) In accepting the trust created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

(h) The Trustee makes no representation or warranty, express or implied, as to the compliance with legal requirements of the use contemplated by the Issuer of the funds under the Amended and Restated Trust Agreement.

(i) The Trustee shall not be responsible for the validity or effectiveness or value of any collateral or security securing any Local Obligation. The Trustee shall not be responsible for the recording or filing of any document relating to the Amended and Restated Trust Agreement or any Local Obligation or of financing statements (or continuation statements in connection therewith) or mortgage or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests or lien on or in any collateral or security securing any Local Obligation. The Trustee shall not be deemed to have made representations as to the security afforded thereby or as to the validity or sufficiency of any such document, collateral or security.

(j) The Trustee shall not be deemed to have knowledge of any Event of Default under the Amended and Restated Trust Agreement unless and until it shall have actual knowledge thereof at its corporate trust office in San Francisco, California.

(k) The Trustee shall not be accountable for the use or application by the Issuer or any other party of any funds which the Trustee has released under the Amended and Restated Trust Agreement.

(l) The Trustee shall provide a monthly accounting of all Funds held pursuant to the Amended and Restated Trust Agreement (and all funds held by the Trustee as trustee or fiscal agent pursuant to any Local Obligation) to the Issuer within fifteen (15) Business Days after the end of such month and shall provide statements of account for each annual period beginning July 1 and ending June 30, within 90 days after the end of such period. Such accounting shall show in reasonable detail all financial transactions during the accounting period and the balance in any Funds and accounts (including the Obligation Fund) created under the Amended and Restated Trust Agreement as of the beginning and close of such accounting period.

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

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Amended and Restated Trust Agreement, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything to the contrary in the Amended and Restated Trust Agreement notwithstanding.

Liability of Trustee. The recitals of facts in the Amended and Restated Trust Agreement and in the Bonds shall be taken as statements of the Issuer, and the Trustee does not assume any responsibility for the correctness of the same, and does not make any representations as to the validity or sufficiency of the Amended and Restated Trust Agreement or of the Bonds, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Amended and Restated Trust Agreement or in the Bonds assigned to or imposed upon it.

Right to Rely on Documents. The Trustee may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Amended and Restated Trust Agreement shall be retained in its possession and shall be subject at all reasonable times upon prior notice to the inspection of the Issuer, the Owners of at least 25% of the aggregate principal amount of the Bonds, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Indemnity for Trustee. Before taking any action or exercising any rights or powers under the Amended and Restated Trust Agreement, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all costs and expenses which it may incur and to indemnify it against all liability, except liability which may result from its negligence or willful misconduct, by reason of any action so taken.

#### **Modification of Trust Agreement and Supplemental Trust Agreements**

Supplemental Trust Agreements Without Consent of Owners. The Issuer and the City may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which thereafter shall form a part of the Amended and Restated Trust Agreement, for any one or more of the following purposes:

- (a) to add to the agreements and covenants of the Issuer or the City contained in the Amended and Restated Trust Agreement other agreements and covenants thereafter to be observed, or to surrender any right or power in the Amended and Restated Trust Agreement reserved to or conferred upon the Issuer or the City; provided, that no such agreement, covenant or surrender shall materially adversely affect the rights of any Owner;
- (b) to cure any ambiguity, to supply any omission or to cure, correct or supplement any defect or inconsistent provisions contained in the Amended and Restated Trust Agreement or in any Supplemental Trust Agreement;
- (c) to make any change which does not materially adversely affect the rights of any Owner;
- (d) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;
- (e) to subject to the Amended and Restated Trust Agreement additional collateral or to add other agreements of the Issuer or the City;

(f) to modify the Amended and Restated Trust Agreement or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America; or

(g) to evidence the succession of a new Trustee.

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment of the Amended and Restated Trust Agreement any particular Bond would be affected by any modification or amendment of the Amended and Restated Trust Agreement and any such determination shall be binding and conclusive on the Issuer, the City and all Owners of Bonds. For these purposes, the Trustee shall be entitled to rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel with respect to the extent, if any, to which any action affects the rights under the Amended and Restated Trust Agreement of any Owner.

Trustee Authorized to Enter into Supplemental Trust Agreement. The Trustee is authorized to enter into any Supplemental Trust Agreement with the Issuer and the City authorized or permitted by the terms of the Amended and Restated Trust Agreement, and to make the further agreements and stipulations which may be therein contained, and the Trustee shall be entitled to rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel to the effect that such Supplemental Trust Agreement is authorized or permitted by the provisions of the Amended and Restated Trust Agreement.

Supplemental Trust Agreements With Consent of Owners. Any modification or alteration of the Amended and Restated Trust Agreement or of the rights and obligations of the Issuer, the City or the Owners of the Bonds may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, that no such modification or alteration shall be made which will reduce the percentage of aggregate principal amount of Bonds the consent of the Owners of which is required for any such modification or alteration, or permit the creation by the Issuer or the City of any lien prior to or on a parity with the lien of the Amended and Restated Trust Agreement upon the Trust Estate or which will affect the times, amounts and currency or payment of the principal of or the redemption premiums, if any, on or the interest on the Bonds or affect the rights, duties or obligations of the Trustee without the consent of the party affected thereby.

#### **Defeasance**

Defeasance. If and when the Bonds secured shall become due and payable in accordance with their terms or through redemption proceedings as provided in the Amended and Restated Trust Agreement, or otherwise, and the whole amount of the principal and the redemption premiums, if any, and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Amended and Restated Trust Agreement by the Issuer, including all fees and expenses of the Trustee, then and in that case, the Amended and Restated Trust Agreement and the lien created shall be completely discharged and satisfied and the Issuer shall be released from the agreements, conditions, covenants and terms of the Issuer contained in the Amended and Restated Trust Agreement, and the Trustee shall assign and transfer all property to the City (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances and shall execute such documents as may be reasonably required by the Trustee or the Issuer in this regard.

Notwithstanding the satisfaction and discharge of the Amended and Restated Trust Agreement, those provisions of the Amended and Restated Trust Agreement relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners and the Trustee shall, subject to the Amended and Restated Trust Agreement, continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and redemption premiums, if any, on and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due, and those provisions of the Amended and Restated Trust Agreement relating to the compensation and indemnification of the Trustee and relating to the tax covenants of the Issuer and the City shall remain in effect and shall be binding upon the Trustee, the City and the Issuer.

To accomplish defeasance, the Issuer shall satisfy the conditions as required by the Bond Insurer as set forth in the Amended and Restated Trust Agreement.

Bonds Deemed to Have Been Paid. If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest installments therefor at the maturity or redemption date thereof, such Bonds shall be deemed to be paid within the meaning and with the effect provided in the Amended and Restated Trust Agreement. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect as described in the Amended and Restated Trust Agreement.

Moneys Held for Particular Bonds. Except as otherwise provided in the Amended and Restated Trust Agreement, the amounts held by the Trustee for the payment of the principal or the redemption premiums, if any, or the interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it solely for the Owners of the Bonds entitled thereto.

Unclaimed Money. Anything contained in the Amended and Restated Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest on, or principal or redemption premiums, if any, of any Bond which remains unclaimed for two (2) years after the date when such amounts have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date such amounts have become payable, shall be paid by the Trustee to the Issuer as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of such amounts as provided in the Amended and Restated Trust Agreement.

#### **Bond Insurance**

The Bonds are insured under the Bond Insurance Policy issued by the Bond Insurer insuring the payment of principal and interest on the Bonds. The conditions under which the Bonds are insured by the Bond Insurer, including the payment procedure pursuant to the Bond Insurance Policy, are provided in the Amended and Restated Trust Agreement.

#### **Municipal Bond Debt Service Reserve Insurance Policy**

The Reserve Requirement is funded by the Reserve Policy issued by the Bond Insurer. As long as the Reserve Policy is in effect, the Issuer and the Trustee agree to comply with the terms and conditions set forth therein as provided in the Amended and Restated Trust Agreement.

#### **Summary of the Local Obligation Resolution**

Pursuant to the provisions of the Municipal Improvement Act of 1913, the City Council of the City of Brentwood (the "Local Agency") adopted its Resolution of Intention to order the acquisition and/or construction of public improvements within its Assessment District No. 2000-1 ("Assessment District No. 2000-1") which is within the Local Agency's Capital Improvement Financing Plan 2000-1 (the "CIFP 2000-1") and to levy assessments therein, and the Local Agency adopted its Local Obligation Resolution (the "Local Obligation Resolution") authorizing the issuance and sale of its Limited Obligation Improvement Bonds Assessment District No. 2000-1 (the "Local Obligations") secured by the unpaid assessments pursuant to the Improvement Bond Act of 1915 (Division 10, commencing with Section 8500, of the Streets and Highways Code of the State of California) (the "1915 Act").

The Local Agency determined pursuant to Section 6588(v) of the Government Code to sell the Local Obligations to the Brentwood Infrastructure Financing Authority (the "Authority") pursuant to a Local Obligation Purchase Contract by and between the Local Agency and the Authority. The Local Agency found and determined that such sale would result in significant public benefits including demonstrable savings in effective

interest rate, bond preparation, bond underwriting discount, original issue discount or bond issuance costs and more efficient delivery of local agency services to residential and commercial development.

The Local Obligations were issued as provided in the Local Obligation Resolution upon the security of the aggregate amount of unpaid assessments (together with the interest thereon) and were secured by said assessments (except the assessments on the City Parcels, as defined in the Local Obligation Resolution) in accordance with the provisions of said 1915 Act and pursuant to the provisions of the Resolution of Intention and proceedings taken thereunder. The Local Obligations are known as the "City of Brentwood Limited Obligation Improvement Bonds, Assessment District No. 2000-1."

The interest on and principal of and redemption premiums, if any, on the Local Obligations are payable in lawful money of the United States of America at the office of the Treasurer of the City in Brentwood, California. Any Local Obligation may be redeemed in whole or in part in integral multiples of the minimum authorized denomination of the Local Obligations on the second day of March or September in any year, at the option of the City, upon payment of the principal amount thereof and interest accrued thereon to the date of redemption, together with a premium equal to three percent (3%) of such principal amount redeemed; provided, that the City shall proceed pursuant to Part 11.1 of the 1915 Act in determining those Local Obligations or portions thereof to be redeemed and the manner of the redemption thereof; and provided further, that notice of redemption of any Local Obligation shall be given by the City as provided in the 1915 Act. The Local Obligation term bonds are subject to mandatory redemption on September 2 in the years, and in the amounts, as provided in to the Local Obligation Purchase Contract. In the event terms bonds are specified, such mandatory redemptions are made upon notice as provided in the Local Obligation Resolution, are at a price equal to the principal amount of terms bonds to be redeemed, plus accrued interest to the redemption date, without premium and the redemption price is paid from the Redemption Fund. In the event any term bonds are redeemed in part pursuant to the optional redemption provisions of the Local Obligation Resolution, the scheduled amounts of mandatory redemptions of such term bonds are reduced proportionately.

The City Council declares and determines that it does not obligate itself to advance, and will not advance, funds from the City treasury to cure any deficiency which may occur at any time in the Redemption Fund created in the Local Obligation Resolution.

Even though the Local Obligation Resolution provided that, after the issuance of the initial series of Local Obligations, the Local Agency may authorize issuance of additional series of Local Obligations to be sold in an amount limited to the total assessments on the City Parcels (the "Additional Local Obligations"), the City covenants in the Amended and Restated Trust Agreement that it will not issue any Additional Local Obligations.

The unpaid assessments in the aggregate amount together with interest thereon computed at the rate specified in the Local Obligations, shall, in accordance with and consistent with the Improvement Bond Act of 1915, remain and constitute a trust fund for the redemption and payment of the principal of the Local Obligations and for the interest due thereon, and said assessments and each installment thereof and the interest and penalties thereon shall constitute a lien against the lots and parcels of land on which they are made until paid. The Treasurer of the City shall annually make a record in his or her office showing the several installments of principal and interest on said assessments which are to be collected in each year during the term of the Local Obligations and shall transmit such record to the Auditor-Controller of Contra Costa County; and an annual installment of said unpaid assessments shall be payable and shall be collected in each year corresponding in amount to the amount of the Local Obligations unpaid and to accrue that year, which amount shall be sufficient to pay the Local Obligations as the same become due, and an annual installment of interest on said unpaid assessments shall be payable and shall be collected in each year corresponding in amount to the amount of interest which will accrue on the Local Obligations outstanding for such year, which amount shall be sufficient to pay the interest thereon that shall become due in the next succeeding March and September. The annual portion of said unpaid assessments coming due in any year, together with the annual interest on such assessments, shall be payable in the same manner and at the same time and in the same number of installments as the general taxes on real property in Contra Costa County are payable, and said unpaid assessment installments and said annual interest on said unpaid assessments shall be payable and become delinquent on the same dates and bear the same proportionate penalties and interest after delinquency as do general taxes on real property in Contra Costa County.

The City Council covenants with the owners of the Local Obligations that, in the event any assessment or installment thereof, including any interest thereon, is not paid when due, it will order and cause to be commenced no later than one hundred fifty (150) days following the date of any delinquency in any assessment or installment thereof securing the Local Obligations, and thereafter diligently prosecute, judicial foreclosure proceedings upon such delinquency and interest thereon, which foreclosure proceedings shall be commenced and prosecuted without regard to available surplus funds of the City; provided, that the City shall not be required to commence or prosecute any such foreclosure action so long as (i) the City, in its sole discretion, advances funds to the Redemption Fund sufficient in both time and amount to pay when due scheduled principal of and interest on the Local Obligations and (ii) the amounts on deposit in the Reserve Fund held under the Amended and Restated Trust Agreement (the "Reserve Fund") are equal to the Reserve Requirement (as defined in the Amended and Restated Trust Agreement).

There was created and established a fund known as the "City of Brentwood, Assessment District No. 2000-1 Redemption Fund" (referred to in the Local Obligation Resolution as the "Redemption Fund") which is kept by the Treasurer and constitutes a trust fund for the benefit of the registered owners of the Local Obligations. All sums received by the Treasurer which are received from the collection of unpaid assessments (except for those amounts allocable to administrative expenses), and of the interest and penalties thereon, are upon receipt deposited in said fund. At the time of the issuance of the Local Obligations, the City deposited in the Redemption Fund from the proceeds of sale of the Local Obligations the amount representing capitalized interest, and all sums to become due for the principal of and the interest on the Local Obligations are withdrawn by the Treasurer from said fund for use for the payment of the principal of and the interest on the Local Obligations, and the Local Obligations and the interest thereon are not paid out of any other funds.

There was created and established within the Redemption Fund a Prepayment Account. A property owner may prepay the assessment and remove the lien of the same from his or her property by paying to the City the sum of the following amounts: (a) the amount of any delinquent installments of principal and interest, together with penalties accrued to the date of prepayment; (b) the unpaid, non-delinquent principal of the assessment, including principal posted to the tax roll for the current fiscal year but not yet paid; (c) an allowance for redemption premium, calculated by multiplying the amount of the unmatured principal (exclusive of principal due during the fiscal year of prepayment) by the redemption premium, being 3 percent, of the principal amount so prepaid; (d) a reasonable fee, to be fixed by the City, for the cost of administering the prepayment and the advance redemption of Local Obligations; (e) interest accrued to the next interest prepayment date which is not less than 90 days after the date of prepayment; and (f) less a credit for the Reserve Fund calculated to be an amount equal to the ratio of the total amount initially deposited to the Reserve Fund to meet the Reserve Requirement with respect to the Local Obligations to the total amount originally assessed in the proceedings for the issuance of the Local Obligations, as specified in an Officer's Certificate to be delivered to the Trustee upon such Prepayment pursuant to the Amended and Restated Trust Agreement. Upon receiving any prepayment of an assessment, the City shall disburse the amount thereof as follows: (a) the administrative fee shall be deposited in the general fund of the City; (b) delinquent principal, interest and penalties shall be deposited in the Redemption Fund unless the Reserve Fund has been depleted on account of the delinquencies, in which case the delinquent amounts and penalties shall be transferred to the Trustee to be deposited instead in the Reserve Fund held under the Amended and Restated Trust Agreement; (c) the installment of principal due in the fiscal year of prepayment shall be deposited in the Redemption Fund; (d) interest accrued to the next Interest Payment Date shall be deposited in the Redemption Fund; and (e) the balance of such prepayment shall be deposited in the Prepayment Account to be used to advance the maturity of Local Obligations to the next redemption date as provided in Part 11.1 of the Improvement Bond Act of 1915.

All moneys in said fund are invested in any lawful investments of City funds (in accordance with the City's investment policy) ("Permitted Investments") maturing not later than the date on which such moneys are required for disbursement as provided in the Local Obligation Resolution, and all interest earned on such investments is credited to said fund. All surplus remaining in said fund after payment of all Local Obligations and the interest thereon shall be applied as directed by the City.

There was created and established a fund known as the "City of Brentwood, Assessment District No. 2000-1 Improvement Fund" (referred to in the Local Obligation Resolution as the "Improvement Fund") which is kept by the Trustee which was appointed as fiscal agent (the "Fiscal Agent") for purposes of the Local Obligation

Resolution. After making the deposit in the Redemption Fund required by the Local Obligation Resolution, the City deposited all remaining proceeds of the sale of the Local Obligations (together with the paid assessments) in the Improvement Fund held by the Fiscal Agent. All moneys in said fund are invested by the Fiscal Agent in Permitted Investments maturing not later than the date on which such moneys are required for disbursement as provided in the Local Obligation Resolution. All interest earned on such investments in the Improvement Fund (and in the accounts within the Improvement Fund specified below) are credited to said fund and accounts, respectively, except as otherwise required by the Local Obligation Resolution.

From the amount deposited in the Improvement Fund, the Fiscal Agent transferred the amount specified in the Local Obligation Purchase Contract to the CIFP 2000-1 Acquisition Account.

The moneys in the Improvement Fund and the Acquisition Account are applied, pursuant to the Funding, Acquisition and Disclosure Agreements provided, exclusively for the purpose of paying the cost of constructing and acquiring the improvements for which Assessment District No. 2000-1 has been formed, including payment of the incidental expenses in connection with such improvements; provided, that after completion of said improvements and the payment of all claims from the Improvement Fund and all accounts therein, notice of which shall be given to the Fiscal Agent by the Treasurer, any surplus moneys remaining in the Improvement Fund and any accounts therein (as determined by the City Council), or such portion thereof as is allowed by law, shall be used as follows: (i) transferred to the Redemption Fund to be used as a credit on the assessment, or (ii) transferred to the Redemption Fund to be used to redeem Local Obligations on the next redemption date, in either case in accordance with the provisions of Section 10427.1 of the Streets and Highways Code. Amounts in the Improvement Fund or any account therein are disbursed by the Fiscal Agent as specified by the Treasurer pursuant to the Local Obligation Resolution.

The City may in the exercise of its sole discretion, upon thirty (30) days prior written notice to the Fiscal Agent, remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto which successor may include the Treasurer of the City.

The Fiscal Agent may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing provided; however, that in the event that the City does not appoint a successor Fiscal Agent within thirty (30) days following receipt of such notice of resignation, the resigning Fiscal Agent may petition an appropriate court having jurisdiction to appoint a successor Fiscal Agent. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon the acceptance of appointment by the successor Fiscal Agent.

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## APPENDIX B

### THE CITY OF BRENTWOOD

*The following information concerning the City and surrounding areas are included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, the State, or any of its political subdivisions and neither said City, said State, nor any of its political subdivisions is liable therefor. See the section herein entitled "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR."*

The City is located in eastern Contra Costa County (the "County") across the San Francisco Bay approximately 45 miles northeast of San Francisco, 65 miles southwest of Sacramento and 10 miles east of the City of Antioch. The City contains approximately 8.65 square miles in total area and has a population which has increased significantly in recent years. Certain demographic information on the County is presented below under the subcaption "Contra Costa County."

The City was first settled by farmers in 1878 and was incorporated in 1948. Until the past decade, the City had retained its agricultural orientation. In recent years, new residential subdivisions have transformed the City into a more suburban environment, as evidenced by its rapid population growth. Land uses in and around the City are characterized by older farming districts and an original downtown area, contrasted with rapidly expanding residential neighborhoods in the peripheral areas of the City.

The City enjoys close proximity to major regional employment areas, including San Francisco and the northern Bay Area, Walnut Creek and the San Ramon corridor in Contra Costa County and the Stockton and central San Joaquin Valley area to the east. The City also enjoys close proximity to major regional recreation areas, including Mt. Diablo State Park approximately 25 miles to the west, the Sierra Nevada Mountains 90 miles to the east and the Sacramento Delta waterway to the north. Interstate Highway 680, a 20-minute drive from the City's downtown area, and California Highway 4, which runs through the City, provide convenient access to the City. The City is also served by the Southern Pacific Railroad.

#### **Municipal Government**

The City was incorporated in 1948 as a general law city. The City government provides for four council members elected at large to serve four-year overlapping terms, at elections held every two years. The mayor is directly elected to serve a two-year term. A city manager is appointed by the council and mayor to administer daily affairs of the City and to implement policies established by the council.

Municipal functions include police protection, water service, highways and streets, sanitation, youth services, public improvements, parks and recreation services, community development and general administrative services.

**Population**

The following chart indicates historic population estimates of the City, County and the State of California.

**HISTORICAL CITY, COUNTY AND STATE POPULATION DATA**

<u>Year</u>	<u>City of Brentwood</u>	<u>Contra Costa County</u>	<u>State of California</u>
2000	22,250	955,900	34,207,000
2001	25,350	972,100	34,818,000
2002	29,600	980,900	35,000,000
2003	33,000	994,900	35,612,000
2004	37,050	1,009,600	36,144,000

Sources: State of California, Department of Finance, as of January 1.

**Commercial Activity**

Total taxable sales during the first quarter of calendar year 2003 in the City were reported to be \$49,825,000, a 17.2% increase over the total taxable sales of \$42,515,000 reported during the first quarter of calendar year 2002. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table.

**CITY OF BRENTWOOD  
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>
1998	235	\$111,729	432	\$132,601
1999	248	129,608	473	151,789
2000	252	149,485	493	177,716
2001	277	161,364	536	194,323
2002	292	169,876	561	199,316

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first quarter of calendar year 2003 in the County were reported to be \$2,799,323,000 a 1.5% decrease over the total taxable sales \$2,842,664,000 reported during the first quarter of calendar year 2002. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table.

**CONTRA COSTA COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
1998	11,375	\$7,223,699	23,093	\$10,093,690
1999	11,008	7,718,261	22,733	11,114,476
2000	10,791	8,649,419	22,674	12,330,560
2001	10,782	8,942,822	22,609	12,256,721
2002	10,836	9,044,346	22,541	12,159,424

Source: State Board of Equalization.

## Employment

The unemployment rate in the Oakland MSA was 5.2 percent in May 2004, down from a revised 5.5 percent in April 2004, and below the year-ago estimate of 6.2 percent. This compares with an unadjusted unemployment rate of 5.8 percent for California and 5.3 percent for the nation during the same period. The unemployment rate was 5.5 percent in Alameda County and 4.7 percent in Contra Costa County.

The civilian labor force, employment and unemployment for the Oakland MSA is outlined in the following table.

### OAKLAND MSA (ALAMEDA AND CONTRA COSTA COUNTIES) Labor Force, Employment and Unemployment

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Civilian Labor Force <sup>(1)</sup>	1,198,000	1,233,900	1,256,900	1,276,400	1,268,000
Employment	1,158,700	1,198,600	1,206,100	1,197,900	1,188,300
Unemployment	39,300	35,300	50,800	78,500	79,700
Unemployment Rate	3.3%	2.9%	4.0%	6.1%	6.3%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	2,300	3,000	3,000	3,000	2,700
Natural Resources and Mining	2,300	2,400	1,600	1,200	800
Construction	60,000	65,500	69,700	66,600	67,200
Manufacturing	112,100	116,500	113,200	103,600	97,400
Wholesale Trade	51,500	53,700	55,400	53,100	51,100
Retail Trade	109,500	112,300	113,300	112,000	110,000
Transportation, Warehousing and Utilities	41,700	41,700	41,300	39,500	36,900
Information	35,000	39,000	37,700	35,200	32,300
Finance and Insurance	32,500	33,000	40,300	44,200	49,600
Real Estate and Rental and Leasing	17,600	17,600	18,300	18,300	18,300
Professional and Business Services	160,200	170,200	159,000	149,600	143,400
Educational and Health Services	109,200	110,700	112,500	114,700	117,400
Leisure and Hospitality	95,600	95,900	97,100	98,400	99,300
Other Services	72,400	73,700	77,900	79,900	80,600
Federal Government	31,000	31,900	35,800	37,800	37,700
State Government	20,400	21,000	19,200	18,600	18,300
Local Government	45,600	45,900	47,300	49,100	48,800
Total, All Industries	107,100	109,700	112,300	116,500	115,000

(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.

## Construction

The following tables show a five year summary of the valuation of building permits issued in the City and the County.

### CITY OF BRENTWOOD Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Permit Valuation</u>					
New Single-family	\$183,465.3	\$177,184.1	\$226,709.5	\$326,206.8	\$260,659.7
New Multi-family	171.2	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>1,324.7</u>	<u>1,349.6</u>	<u>1,605.0</u>	<u>1,445.0</u>	<u>1,189.9</u>
Total Residential	184,961.2	178,533.7	228,314.1	327,651.8	261,849.6
New Commercial	2,154.1	3,384.7	5,245.6	11,179.7	23,395.9
New Industrial	0.0	2,322.4	0.0	2,758.2	1,626.4
New Other	2,832.3	5,510.8	6,053.1	14,932.5	10,444.3
Com. Alterations/Additions	<u>1,426.0</u>	<u>1,514.3</u>	<u>546.6</u>	<u>5,122.1</u>	<u>3,353.5</u>
Total Nonresidential	6,412.4	12,732.1	11,845.2	33,992.6	38,820.1
<u>New Dwelling Units</u>					
Single Family	1,128	953	1,255	1,689	1,361
Multiple Family	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	1,130	953	1,255	1,689	1,361

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

According to the Brentwood General Plan, 28,119 new residential units are planned in the City by the year 2010. This is equal to an average of 1,875 new units per year. Approximately 35.9 percent of these new units are anticipated to be multifamily housing with density of 8.0 units per acre and above.

### CONTRA COSTA COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Permit Valuation</u>					
New Single-family	\$853,526.4	\$919,039.8	\$917,084.8	\$1,219,607.6	\$1,263,359.9
New Multi-family	44,769.4	116,450.8	81,836.2	60,107.3	190,449.4
Res. Alterations/Additions	<u>165,018.5</u>	<u>188,993.9</u>	<u>171,687.4</u>	<u>213,248.0</u>	<u>230,427.8</u>
Total Residential	1,063,314.3	1,224,484.5	1,170,608.4	1,492,962.9	1,684,237.2
New Commercial	127,938.8	216,485.6	262,716.8	134,262.0	128,738.0
New Industrial	18,192.0	12,652.7	8,832.2	9,316.4	33,047.1
New Other	56,939.7	57,254.3	88,750.3	87,959.0	53,034.2
Com. Alterations/Additions	<u>1,289,763.6</u>	<u>193,878.9</u>	<u>164,672.5</u>	<u>143,627.8</u>	<u>197,298.8</u>
Total Nonresidential	332,044.0	480,271.5	524,971.8	375,165.2	412,118.0
<u>New Dwelling Units</u>					
Single Family	4,081	4,344	4,152	5,076	4,965
Multiple Family	<u>508</u>	<u>1,295</u>	<u>984</u>	<u>729</u>	<u>1,930</u>
TOTAL	4,589	5,639	5,136	5,805	6,895

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

## Utilities

Gas and electric service in the City is provided by Pacific Gas & Electric. Telephone service is provided by Pacific Bell. Water is supplied by City wells and the East Bay Municipal Utility District through the City water lines and filtration plant. Sewer service is supplied by the City.

## Education

The City is part of the Brentwood and Liberty Union School Districts which provide K-12 public education needs. There is one high school, one junior high school and two elementary schools located in the City.

Near the City are four colleges: Los Medanos Community College in Pittsburg, Diablo Valley Community College in Concord and San Joaquin Delta Community College and University of the Pacific in Stockton.

## Transportation

The City, located near the cities of Antioch and Stockton, is in close proximity to a highly developed transportation network. State Highway 4 runs in an east/west direction through the City, intersecting Interstate 680 near Martinez and Interstate 80 in Hercules. To the east, Highway 4 leads to Stockton where it intersects with Interstate 5. The highways provide the City with access to major regional workplace and recreation areas. The City is close to both regional and international airports — Concord Airport, Stockton Airport and Oakland International Airport.

### Proximity to Major Urban Centers

Proximity	Distance	Time
Antioch to Brentwood	10 miles	15 minutes
Concord to Brentwood	26 miles	30 minutes
Oakland to Brentwood	46 miles	50 minutes
Stockton to Brentwood	37 miles	30 minutes
San Francisco to Brentwood	54 miles	80 minutes
Sacramento to Brentwood	75 miles	90 minutes

*Source: City of Brentwood*

The City is also served by bus lines and railroads. Bay Area Rapid Transit ("BART") provides a bus service from Antioch connecting to the existing Concord BART station. BART stations in West Pittsburg and Pittsburg have recently opened, further extending the rapid transit system into the east County area.

## **Contra Costa County**

Situated northeast of San Francisco, Contra Costa County (the "County") is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

The County is home to more than 972,100 people and thousands of businesses who are served by 18 cities, 201 special districts and the County. The County also provides municipal services for the residents of the unincorporated areas.

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## APPENDIX C

### PROPOSED FORM OF BOND COUNSEL OPINION

December 9, 2004

Governing Board  
Brentwood Infrastructure Financing Authority  
Brentwood, California

Brentwood Infrastructure Financing Authority  
Infrastructure Revenue Refunding Bonds, Series 2004C  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Brentwood Infrastructure Financing Authority (the "Issuer") of its Infrastructure Revenue Refunding Bonds, Series 2004C in the aggregate principal amount of \$12,450,000 (the "Bonds"), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (constituting Article 4, Chapter 5, Division 7, Title 1 of the California Government Code), Resolution No. BIFA-11 authorizing issuance, sale and delivery of the Bonds, adopted by the Issuer on November 9, 2004, and an amended and restated trust agreement, dated as of November 1, 2004 (the "Trust Agreement"), among the Issuer, the City of Brentwood (the "Local Agency") and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are issued for the purpose of enabling the Issuer to refund the Issuer's outstanding CIFP 2000-1 Infrastructure Revenue Bonds, Series 2000 (the "Prior Bonds"), to fund a reserve fund and to pay the costs of issuance of the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Tax Certificate dated the date hereof (the "Tax Certificate"), certifications of the Issuer, the Trustee, the Local Agency, and others, opinions of counsel to the Issuer, the Local Agency and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted to be taken under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted to be taken upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted to be taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Issuer.
2. The Trust Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Issuer and the Local Agency. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate, including the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Trust Agreement (except the Rebate Fund), subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.
3. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the Local Agency nor the State of California or any subordinate entity or political subdivision of either is pledged to the payment of the principal of or interest on the Bonds. The

Bonds are not a debt of the Local Agency or the State of California and neither said State nor the Local Agency is liable for the payment thereof.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT** (the "Disclosure Agreement") dated as of December 9, 2004, is executed and delivered by the City of Brentwood, California (the "City") and U.S. Bank National Association, as Trustee and as Dissemination Agent (the "Trustee" and "Dissemination Agent") in connection with the issuance of \$12,450,000 Infrastructure Revenue Refunding Bonds, Series 2004C (the "Bonds"). The Bonds are issued pursuant to the terms of an Amended and Restated Trust Agreement (the "Trust Agreement") dated as of November 1, 2004 (the "Trust Agreement") among the Brentwood Infrastructure Financing Authority (the "Issuer"), the City and the Trustee. The Bonds are being issued to refund the Brentwood Infrastructure Financing Authority's CIFP 2000-1 Infrastructure Revenue Bonds, Series 2000, which were issued to assist the City in the financing of certain improvements of benefit to property within the City's Assessment District No. 2000-1 (the "District") The Bonds are secured by payments received by the Authority from the City of principal and interest on a series of bonds (the "**Local Obligations**"), as described in the Official Statement dated November 19, 2004 for the Bonds.

Pursuant to the Trust Agreement, the City, Dissemination Agent and the Trustee covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the City, the Dissemination Agent and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below). The City, the Dissemination Agent and the Trustee acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the City Manager of the City or his or her designee, or such other person as the City shall designate in writing to the Dissemination Agent and Trustee from time to time.

"Dissemination Agent" shall mean U. S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean 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.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

### **SECTION 3. Provision of Annual Reports.**

(a) The City shall, or upon written direction, shall cause the Dissemination Agent to, not later than 8 months after the end of the City's fiscal year (which end of the fiscal year is presently June 30), commencing with the report for the 2003-04 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. 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(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the Trustee is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the final date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the City, the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided to the extent such information is accessible to the Dissemination Agent.

**SECTION 4. Content of Annual Reports.** The City's Annual Report shall contain or include by reference the following:

1. A statement of the amounts on deposit in each fund or account established under the Trust Agreement (except the Rebate Fund and the Expense Fund).

2. Information concerning the status of any foreclosure actions in connection with the payment of assessment installments securing the Local Obligations.

3. The audited financial statement of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting practices; provided, that if the audited financial statements are not available at the time of filing of the Annual Report, they may be filed separately after filing of the Annual Report but the Annual Report shall contain unaudited financial statements of the City for the preceding Fiscal Year; and provided, further, that in each Annual Report or other filing containing the City's financial statements, the following statement shall be included in bold type:

**"THE FOLLOWING FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.**

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

## **SECTION 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 4, the City shall give an officer's certificate including notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Bondholders.
4. Optional, contingent or unscheduled Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day, or as soon as reasonably practicable thereafter, of obtaining actual knowledge of the occurrence of any of the Listed Events (provided the Trustee shall not be responsible to determine the materiality of any such Listed Event) contact the Disclosure Representative, inform such person of the event, and request that the Local Agency promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Bondholders under the Trust Agreement. The Trustee may conclusively rely upon such direction. (or lack thereof). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the Corporate Trust Office of the Trustee with regular responsibility for the administration of matters related to the Trust Agreement.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a COPY to the City.



Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Trust Agreement.

**SECTION 6. Termination of Reporting Obligation.** The City's, Trustee's and Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or as to the Trustee and Dissemination Agent, the earlier resignation or removal thereof. If the City's obligations under the Local Obligations are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City and the original City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

**SECTION 7. 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 Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be U. S. Bank National Association. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the City, the Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Trustee and Dissemination Agent shall agree to any amendment so requested by the City provided, neither the Trustee or Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder) and any provision of this Disclosure Agreement 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 the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement 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.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the Presentation) of financial

information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the City or the Trustee to comply with, any provision of this Disclosure Agreement, the Trustee, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys., or any Holder or Beneficial Owner of the Bonds may take such actions as way be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.** Article IX of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defaulting against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Agent or Trustee and payment of the Bonds. 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 all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the issuer, the Bondholders, or any other party. Neither the

Trustee or the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of this Agreement.

**SECTION 12. Notices.** Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:                      City of Brentwood  
708 Third Street  
Brentwood, CA 94513  
Attention: City Manager  
FAX (925) 516-5441

To the Trustee:                      U.S. Bank National Association  
Attention: Corporate Trust  
One California Street, Suite 2550  
San Francisco, CA 94111  
FAX (415) 273-4590

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 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Issuer, the City, the Trustee, the Dissemination Agent, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any person or entity.

**SECTION 14. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: \_\_\_\_\_, 2004

CITY OF BRENTWOOD

By: \_\_\_\_\_  
Authorized Officer

U. S. BANK NATIONAL ASSOCIATION, as  
Trustee and Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Brentwood Infrastructure Financing Authority  
Name of Bonds: Infrastructure Revenue Refunding Bonds, Series 2004C  
Name of Local Agency: City of Brentwood, California  
Date of Issuance: \_\_\_\_\_, 2004

NOTICE IS HEREBY GIVEN that the City of Brentwood has not provided an Annual Report with respect to the above-named Bonds as required by the Amended and Restated Trust Agreement dated as of November 1, 2004 that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION,  
on behalf of the City of Brentwood

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cc: City of Brentwood

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## APPENDIX E

### THE BOOK ENTRY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances 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 do so 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

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



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

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the Authority or the Trustee take any responsibility for the accuracy thereof.

Neither the Authority or the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority or the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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

**Discontinuance of Book-Entry System.** DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Trustee and discharging its responsibilities with respect thereto under applicable law or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the Issuer will execute, and the Trustee will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. See "THE BONDS - Amount and Issuance of the Bonds" above.

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**APPENDIX F**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**FINANCIAL  
SECURITY  
ASSURANCE®**

## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date in which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or teletyped notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

By \_\_\_\_\_

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL  
SECURITY  
ASSURANCE®**

**ENDORSEMENT NO. 1 TO  
MUNICIPAL BOND  
INSURANCE POLICY  
(California Insurance  
Guaranty Association)**

ISSUER:

Policy No.:

BONDS:

Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the insurance provided by this Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By: \_\_\_\_\_

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 560NY (CA 1/91)

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