

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, 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"

\$840,000

**CITY OF BRENTWOOD
LIMITED OBLIGATION IMPROVEMENT BONDS
RANDY WAY SEWER LINE ASSESSMENT DISTRICT**

Dated: Date of Delivery

Due: September 2, as shown below

The Bonds described herein (the "Bonds") are special, limited obligation bonds being issued by the City of Brentwood, California (the "City"), a portion of the proceeds of which will be used to finance the acquisition and/or construction of certain public improvements specially benefiting properties located within the boundaries of the City of Brentwood Randy Way Sewer Line Assessment District (the "Assessment District"). The Assessment District was formed and the acquisition and/or construction of the improvements will be undertaken as authorized under the provisions of the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code). The Bonds are being issued pursuant to the provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (the "1915 Act")

The Bonds are issuable only as fully-registered Bonds in the denomination of \$5,000 each or any integral multiple thereof. Principal, interest at maturity or upon earlier redemption, as applicable, and premium, if any, with respect to the Bonds will be payable upon presentation and surrender thereof at the corporate trust office of U.S. Bank National Association, the paying agent, registrar, and transfer agent for the Bonds (the "Paying Agent"), in St. Paul, Minnesota. Interest on the Bonds (other than the final payment of interest, which is payable upon surrender of the Bonds) will be payable semiannually on March 2 and September 2 (each an "Interest Payment Date"), commencing March 2, 2008, by check of the Paying Agent mailed on each Interest Payment Date to the persons in whose names such Bonds are registered at the close of business on the fifteenth day of the calendar month immediately prior to an Interest Payment Date.

The Bonds will be issued initially in book-entry-only form through the book-entry system of The Depository Trust Company, New York, New York. See APPENDIX F - "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are subject to redemption on any Interest Payment Date in advance of maturity at the option of the City upon giving at least 30 days prior notice and upon payment of the principal thereof and interest accrued thereon to the date of redemption, plus any applicable redemption premium, as more fully described herein.

The Term Bonds maturing on September 2, 2027 and September 2, 2037, are also subject to mandatory redemption in part prior to their stated maturity, as more fully described herein.

Further development of parcels within the Assessment District, transfers of property ownership, and other similar circumstances could result in prepayment of all or part of the assessments. Such prepayment would result in redemption of a portion of the Bonds prior to their stated maturities.

Under the provisions of the 1915 Act, installments of principal and interest sufficient to meet annual debt service requirements with respect to the Bonds shall be included on the regular tax bills of the County of Contra Costa (the "County") sent to owners of property against which there are unpaid assessments. The portion of the annual installments for the payment of principal of and interest on the Bonds is to be paid into the Redemption Fund, to be held by the Director of Finance and Information Systems of the City, and will be used to pay debt service on the Bonds as it becomes due.

To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent assessment installments, the City will establish a Special Reserve Fund and deposit therein Bond proceeds in the original amount of \$58,060. Additionally, the City has covenanted that, under certain circumstances, by no later than October 1 in any year, it will file an action in superior court to foreclose the lien on each delinquent assessment, as more particularly described herein.

IF A DELINQUENCY OCCURS IN THE PAYMENT OF ANY ASSESSMENT INSTALLMENT, THE CITY WILL HAVE A DUTY ONLY TO TRANSFER INTO THE REDEMPTION FUND THE AMOUNT OF THE DELINQUENCY OUT OF THE SPECIAL RESERVE FUND. THIS DUTY OF THE CITY IS CONTINUING DURING THE PERIOD OF DELINQUENCY, ONLY TO THE EXTENT OF FUNDS AVAILABLE FROM THE SPECIAL RESERVE FUND, UNTIL REINSTATEMENT, REDEMPTION, OR SALE OF THE DELINQUENT PROPERTY. THERE IS NO ASSURANCE THAT SUFFICIENT FUNDS WILL BE AVAILABLE FROM THE SPECIAL RESERVE FUND FOR THIS PURPOSE. THEREFORE, IF, DURING THE PERIOD OF DELINQUENCY, THERE ARE INSUFFICIENT AVAILABLE FUNDS, A DELAY MAY OCCUR IN PAYMENTS TO THE OWNERS OF THE BONDS. IN ACCORDANCE WITH SECTION 8769(b) OF THE 1915 ACT, THE CITY HAS DETERMINED THAT IT WILL NOT OBLIGATE ITSELF TO ADVANCE FUNDS FROM ITS TREASURY TO CURE ANY DEFICIENCY IN THE REDEMPTION FUND.

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

THE BONDS ARE NOT SECURED BY THE GENERAL TAXING POWER OF THE CITY, THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE"), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE CITY, NOR THE COUNTY, NOR THE STATE, NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE HAS PLEDGED ITS FULL FAITH AND CREDIT FOR THE PAYMENT OF THE BONDS.

**MATURITY SCHEDULE
\$160,000 Serial Bonds**

| Maturity (September 2) | Principal Amount | Interest Rate | Price | CUSIP (1) No. | Maturity (September 2) | Principal Amount | Interest Rate | Price | CUSIP (1) No. |
|-------------------------------|-------------------------|----------------------|--------------|----------------------|-------------------------------|-------------------------|----------------------|--------------|----------------------|
| 2008 | 10,000 | 3.950% | 100.000% | 107275 HK8 | 2013 | 15,000 | 4.375% | 99.605 | 107275 HQ5 |
| 2009 | 15,000 | 4.000 | 99.902 | 107275 HL6 | 2014 | 15,000 | 4.500 | 99.403 | 107275 HR3 |
| 2010 | 15,000 | 4.125 | 99.928 | 107275 HM4 | 2015 | 20,000 | 4.625 | 99.832 | 107275 HS1 |
| 2011 | 15,000 | 4.250 | 100.000 | 107275 HN2 | 2016 | 20,000 | 4.700 | 99.634 | 107275 HT9 |
| 2012 | 15,000 | 4.250 | 99.551 | 107275 HP7 | 2017 | 20,000 | 4.750 | 99.604 | 107275 HU6 |

\$250,000 5.125% Term Bond Due September 2, 2027 – Price: 100% (CUSIP (1) No. 107275 HV4)

\$430,000 5.200% Term Bond Due September 2, 2037 – Price: 100% (CUSIP (1) No. 107275 HW2)

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The Bonds are being offered when, as, and if issued by the City and received by the Underwriter, subject to prior sale and to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and the approval of certain matters for the City by the City Attorney of the City of Brentwood. Certain other legal matters will be passed on by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel to the City. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about August 21, 2007.

RBC CAPITAL MARKETS

No dealer, broker, salesperson, or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations 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 the Bonds, nor shall there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

This Official Statement is not to be construed to be a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the City and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the City. 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 will, under any circumstances, create any implication that there has been no change in the affairs of the City or the Assessment District since the date hereof.

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

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.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CITY OF BRENTWOOD

Mayor and City Council

Bob Taylor, Mayor
Robert A. Brockman, Vice Mayor
Chris Becnel, Council Member
Brandon Richey, Council Member
Erick Stonebarger, Council Member

City Staff

Donna Landeros, City Manager
Pamela Ehler, Director of Finance and Information Systems
Balwinder S. Grewal, Director of Public Works/City Engineer
Damien Brower, City Attorney
Margaret Wimberly, City Clerk

BOND COUNSEL AND DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

ASSESSMENT ENGINEER

Balwinder S. Grewal, City Engineer
City of Brentwood, California

PAYING AGENT, REGISTRAR, AND TRANSFER AGENT

U.S. Bank National Association
San Francisco, California

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OFFICIAL STATEMENT
\$840,000
CITY OF BRENTWOOD
LIMITED OBLIGATION IMPROVEMENT BONDS
RANDY WAY SEWER LINE ASSESSMENT DISTRICT

INTRODUCTORY STATEMENT

THIS INTRODUCTORY STATEMENT IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION IN THIS OFFICIAL STATEMENT, INCLUDING THE COVER PAGE AND APPENDICES HERETO, AND THE OFFERING OF THE BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

The Bonds

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to set forth certain information concerning the issuance and sale by the City of Brentwood, California (the "City"), of \$840,000 in aggregate principal amount of its City of Brentwood Limited Obligation Improvement Bonds, Randy Way Sewer Line Assessment District (the "Bonds") for the City of Brentwood Randy Way Sewer Line Assessment District (the "Assessment District"). The Bonds are issued pursuant to the Improvement Bond Act of 1915, being Division 10 of the California Streets and Highways Code (the "1915 Act") and Resolution No. 2007-174 adopted by the City Council of the City (the "City Council") on July 24, 2007 (the "Bond Resolution").

The Assessment District

The Assessment District was formed and the assessments are being levied in accordance with the Municipal Improvement Act of 1913, being Division 12 of the California Streets and Highways Code (the "1913 Act"). Proceedings for the formation of the Assessment District were commenced by the City Council in compliance with Part 7.5 of Division 4 of the California Streets and Highways Code and pursuant to the Resolution of Intention No. 2007-35 adopted by the City Council on February 27, 2007.

The Assessment District is centrally located within the middle of the City of Brentwood, immediately east of Minnesota Avenue and generally south of Sand Creek Road and north of Central Boulevard with Sand and Marsh Creeks bordering on the east and south. The neighborhood was developed in the 1970s and 1980s into 1 acre ranchette estate lots. Currently, the 34 parcels within the Assessment District are fully developed with single family homes ranging from 1,008 sq. ft. to 3,489 sq. ft, averaging approximately 2,100 sq. ft. per home. At this time, the homes are serviced by their own individual septic systems and water wells and the property owners desire public sewer service with the ability to subdivide or further develop their parcels in the future. Other existing improvements in the neighborhood include a full 60 ft. wide paved roadway with curb, gutter and underground storm drainage system. Approximately one half of the parcels is serviced by underground electricity and telephone, and the remainder is serviced by overhead power sources. The Assessment District boundaries are shown on the assessment diagram, a copy of which is included in the Engineer's Report incorporated herein as

APPENDIX C. For a further description of the Assessment District, see “THE ASSESSMENT DISTRICT AND THE IMPROVEMENTS” herein.

Improvements

Proceeds from the sale of the Bonds issued pursuant to the Assessment District proceedings will be used to finance (i) the acquisition and/or construction of certain public improvements in the Assessment District, which improvements, to be owned, operated, and maintained by the City, include the construction of approximately 2,915 lineal feet of 8” sewer main, manholes, standard residential sewer laterals and related appurtenances, including pavement restoration, to service 34 residential properties in the Assessment District, and the prepayment of the City Wastewater Facilities Fees to fund improvements to the City’s wastewater treatment system (collectively, the “Improvements”), and (ii) the payment of certain incidental costs and expenses related to the acquisition of the Improvements, the Assessment District proceedings, and the issuance of the Bonds, including the establishment of a Special Reserve Fund for the Bonds. For a further description of the Assessment District and the Improvements, see “THE ASSESSMENT DISTRICT AND THE IMPROVEMENTS – Description of the Assessment District and the Improvements” herein.

Assessments

The land within the Assessment District specially benefited by the Improvements has been assessed to pay the estimated cost of the Improvements and certain financing costs related thereto. See “THE ASSESSMENT DISTRICT AND THE IMPROVEMENTS – Estimated Improvement Costs” herein. The City Council, pursuant to Resolution No. 2007-173, adopted on July 24, 2007, confirmed the amount of unpaid assessments for the Assessment District in the aggregate amount of \$840,924.78. The Bonds are secured by the assessments as hereinafter described under the heading “THE BONDS – Security for the Bonds.” The total assessment lien is not less than the aggregate principal amount of the Bonds being issued.

Security for the Bonds

The Bonds are issued upon and secured by the unpaid assessments and, together with interest thereon, constitute security for the redemption and payment of the principal of the Bonds and the interest thereon. All the Bonds are secured by the moneys in the Redemption Fund created pursuant to the Bond Resolution and by the unpaid assessments levied to provide for payment of said acquisition and/or construction of the Improvements, and, including principal and interest, are payable exclusively out of the Redemption Fund. The unpaid assessments represent fixed liens on the parcels of land assessed under the proceedings. They do not, however, constitute the personal indebtedness of the owners of said parcels.

Under the provisions of the 1915 Act, assessment installments sufficient to meet annual debt service on the Bonds are to be collected on the regular tax bills of the County of Contra Costa (the “County”) sent to owners of property within the Assessment District against which there are unpaid assessments. These annual installments are to be paid into the Redemption Fund, which will be held by the Director of Finance and Information Systems of the City and used to pay Bond principal and interest as they become due. The installments billed against each parcel of property each year represent a *pro rata* share of the total principal and interest coming

due that year, based on the percentage that the unpaid assessment against that property bears to the total of unpaid assessments within the Assessment District.

The Bonds are not secured by the general taxing power of the City, the County, the State of California (the “State”), or any other political subdivision of the State, and neither the City, nor the County, nor the State, nor any other political subdivision of the State has pledged its full faith and credit for the payment of the Bonds.

Special Reserve Fund

The City will establish a Special Reserve Fund (the “Special Reserve Fund”) in the amount of \$58,060 from Bond proceeds, which amount will be transferred to the Redemption Fund in the event of delinquencies in the payment of the assessment installments to the extent of such delinquencies. The Special Reserve Fund will be maintained, from assessment installment payments and from proceeds of redemption or sale of parcels with assessment delinquencies, in an amount equal to the Reserve Requirement (as defined herein). See “THE BONDS – Special Reserve Fund” herein.

Foreclosure

The City has covenanted that it will, no later than October 1 in any year, file an action in the Superior Court of the County to foreclose the lien on each delinquent assessment if (i) the sum of uncured assessment delinquencies for the preceding fiscal year exceeds 5% of the assessment installments posted to the tax roll for that fiscal year and (ii) the amount in the Special Reserve Fund is less than the Reserve Requirement. See “THE BONDS – Covenant to Commence Superior Court Foreclosure” and “SPECIAL RISK FACTORS – Covenant to Commence Superior Court Foreclosure” herein.

Assessment Delinquencies

If a delinquency occurs in the payment of any assessment installment, the City has a duty to transfer into the Redemption Fund the amount of the delinquency out of the Special Reserve Fund. This duty of the City is continuous during the period of delinquency, until reinstatement, redemption, or sale of the delinquent property. There is no assurance that funds will be available for such purpose and if, during the period of delinquency, there are insufficient moneys in the Special Reserve Fund, a delay may occur in payments to the owners of the Bonds.

As authorized by the 1915 Act, the City has elected not to obligate itself to advance available funds from its treasury to cure any deficiency that may occur in the Redemption Fund by reason of the failure of a property owner to pay an assessment installment when due. If there are additional delinquencies after depletion of funds in the Special Reserve Fund, the City is not obligated to transfer into the Redemption Fund the amount of such delinquencies out of any other available moneys of the City.

Book-Entry-Only System

The Bonds will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. Payment of principal of and interest on the Bonds to the Beneficial Owners (as defined below) will be made in accordance with the procedures of DTC described below. See “APPENDIX F - BOOK-ENTRY-ONLY SYSTEM” herein.

Continuing Disclosure

The City has covenanted in its Continuing Disclosure Certificate for the benefit of Bondholders to provide annual or semi-annual reports, as applicable, containing certain financial information and operating data relating to the Assessment District and the property in the Assessment District and to provide notices of the occurrence of certain enumerated events, if material. The form of such Continuing Disclosure Certificate is incorporated herein as “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time. See “CONTINUING DISCLOSURE” herein.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “intend,” “expect,” “propose,” “estimate,” “project,” “budget,” “anticipate,” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. No updates or revisions to these forward-looking statements are expected to be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. **READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.**

Miscellaneous

Set forth herein are brief descriptions of the Bonds, the Assessment District, the Improvements, the City, the Bond Resolution and certain other matters. Such descriptions and the discussions and information contained herein do not purport to be comprehensive or definitive. All references in this Official Statement to documents, the Bonds, and the Assessment District proceedings are qualified in their entirety by references to such documents and the City’s resolutions setting forth the terms and descriptions thereof. Copies of the Bond

Resolution and other documents described in this Official Statement may be obtained from the City. The City's address for such purpose is: City of Brentwood, 708 Third Street, Brentwood, California 94513, Attention: Director of Finance and Information Systems; telephone number (925) 516-5460.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the sale of the Bonds will be deposited with the Director of Finance and Information Systems of the City in trust pursuant to the terms of the Bond Resolution in the amounts set forth below. The moneys in the Improvement Fund established for the Bonds will be used to acquire/construct the Improvements and to pay certain costs associated with the issuance and delivery of the Bonds. A portion of the net proceeds of the Bonds will be deposited in the Special Reserve Fund.

The estimated sources and uses of funds for the Bonds are summarized as follows:

**TABLE 1
SOURCES AND USES OF FUNDS**

| | |
|--------------------------------|-----------------------------|
| Sources of Funds | |
| Principal Amount of Bonds | \$840,000.00 |
| Less: Original Issue Discount | (427.65) |
| Less: Underwriter's Discount | (16,800.00) |
| Plus: Assessments paid in cash | <u>82,422.92</u> |
| Total | \$905,195.27 |
| | |
| Uses of Funds | |
| Improvement Fund | \$847,135.27 ⁽¹⁾ |
| Special Reserve Fund | <u>58,060.00</u> |
| Total | \$905,195.27 |

(1) Includes costs of issuance of the Bonds of \$41,421.04.

THE BONDS

Purpose of the Bonds

Proceeds from the sale of the Bonds will be used to finance (i) the Improvements, which comprise the acquisition and/or construction of certain public improvements within the Assessment District, and (ii) the payment of certain incidental costs and expenses related to the acquisition and/or construction of the Improvements, the Assessment District proceedings, and the issuance of the Bonds, including the establishment of a Special Reserve Fund for the Bonds. See "THE ASSESSMENT DISTRICT AND THE IMPROVEMENTS – Description of the Assessment District and the Improvements" herein.

Authority for Issuance

The Assessment District proceedings are being conducted pursuant to the 1913 Act and a Resolution of Intention No. 2007-35, adopted by the City Council on February 27, 2007. The Bonds, which represent the unpaid assessments levied against privately owned property in the Assessment District, are being issued pursuant to the provisions of the 1915 Act and the Bond Resolution approving the issuance of the Bonds under the 1915 Act and the terms thereof.

In the proceedings of the City with respect to the Assessment District, all costs either are estimated or are ascertained prior to the construction or acquisition of the Improvements. Under such proceedings, the assessments are then levied, cash collections are made, and bonds are sold to represent unpaid assessments. The money obtained from cash collections and bond proceeds is used by the City as payment for the Improvements to be acquired and/or constructed and for incidental expenses and expenses of the Bond issue. At the end of the 30-day cash payment period, the total amount of assessments paid in cash by certain property owners and received by the City was \$82,422.92.

The assessment proceedings for the Assessment District were taken by the City in compliance with the requirements of the Special Assessment Investigation, Limitation and Majority Protect Act of 1931 by proceeding under Part 7.5 of Division 4 of the California Streets and Highways Code.

After the proceedings were initiated, the City Engineer, acting as the Assessment Engineer (the "Assessment Engineer"), prepared a written report, which contains, among other things, the list of improvement costs and the amount of the assessments to be levied against the parcels in the Assessment District. The assessments were levied on the basis of the special benefit to be derived by such parcels from the Improvements. See "THE ASSESSMENT DISTRICT AND THE IMPROVEMENTS – Method of Assessment Spread" herein.

The Assessment Engineer's written report was filed with the City Clerk and approved by the City Council in preliminary form on February 27, 2007. The Assessment Engineer's written report in final form was filed with the City Clerk on April 24, 2007. The public hearing required by law was held on April 24, 2007. The property owners in the Assessment District had the right to protest the levy of the proposed assessments in writing prior to or at the commencement of the hearing and to be heard at the hearing. No such protests were made. In accordance with Article XIID of the State Constitution, the property owners were also requested to submit ballots, weighted according to the proportional financial obligation of the affected property, in favor of or opposition to the assessment. Of the 30 ballots submitted by property owners, 26 voted in favor of the assessment, 3 voted no and 1 abstained. See "SPECIAL RISK FACTORS – Articles XIIC and XIID of the California Constitution" herein.

Upon conclusion of the hearing, the City Council tabulated the ballots and adopted its resolution confirming the assessments and ordering the acquisition and/or construction of the Improvements. The assessments confirmed by the City were based on the improvement costs listed in the Assessment Engineer's final written report (the "Engineer's Report"). After confirmation, the assessments became liens against the assessed parcels by recordation of a notice of assessment, which recording was made in the Office of the City Engineer on April 25, 2007, and in the Office of the County Recorder on May 2, 2007. A total amount of \$82,422.92

in cash payments was made by the property owners at the end of the 30-day cash payment period.

General

The Bonds will be issued in fully-registered form, without coupons, in the denomination of \$5,000 each or in any integral multiple thereof. The Bonds will be dated the date of delivery, and will bear interest at the rates per annum, will mature on the dates (each a "Principal Payment Date"), and will mature in the amounts set forth on the front cover pages of this Official Statement.

Interest on the Bonds is payable semiannually on March 2 and September 2 (each an "Interest Payment Date"), commencing on March 2, 2008. Principal, interest at maturity or upon earlier redemption, if applicable, and premium, if any, with respect to the Bonds will be payable at the corporate trust office of U.S. Bank National Association, as paying agent, registrar, and transfer agent (the "Paying Agent"), in St. Paul, Minnesota, upon presentation and surrender of the Bonds. Interest (other than at maturity or upon earlier redemption) on the Bonds will be payable by check of the Paying Agent mailed on each Interest Payment Date to the owners of record at the addresses shown on the registration books maintained by the Paying Agent for such purposes (the "Registration Books") as of the fifteenth day of the month immediately prior to an Interest Payment Date.

Transfer and Exchange of Bonds

Any Bond may be transferred or exchanged upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer or authorization for exchange, duly executed in a form approved by the Paying Agent. The Paying Agent shall not be obligated to make any transfer or exchange of any Bond during the period commencing with the fifteenth day of the month immediately preceding each Interest Payment Date and ending on such Interest Payment Date. The City may require the Bond Owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

Bonds Mutilated, Destroyed, or Lost

If any Bond becomes mutilated, the City, at the expense of the Owner of such Bond, will execute, and the Paying Agent will authenticate and deliver, a new Bond in exchange and substitution for the Bond so mutilated, but only upon surrender by the owner of the Bond so mutilated. Every mutilated Bond so surrendered will be canceled. If any Bond becomes lost or destroyed, evidence of such loss or destruction may be submitted to the City and, if such evidence is approved by the City and indemnity satisfactory to the City is given, the City, at the expense of the Owner, will execute, and the Paying Agent will authenticate and deliver, a new Bond in lieu of and in replacement for the Bond so lost or destroyed. The owner must pay all costs of issuance of the new Bond.

Redemption

Optional Redemption and Prepayment of Bonds. Any Bond or portion thereof in the amount of \$5,000 or any integral thereof outstanding may be called for redemption prior to maturity on any Interest Payment Date upon payment of the principal, plus accrued interest to the date of redemption, together with a redemption premium (calculated as a percentage of the par value of Bonds being redeemed) as set forth in the following table:

| <u>Redemption Dates</u> | <u>Redemption Premium</u> |
|---|---------------------------|
| (March 2 or September 2) | |
| March 2, 2008 through September 2, 2017 | 3.0% |
| March 2, 2018 and September 2, 2018 | 2.0% |
| March 2, 2019 and September 2, 2019 | 1.0% |
| March 2, 2020 and thereafter | 0.0% |

No interest will accrue on a Bond beyond the Interest Payment Date on which said Bond is called for redemption. Notice of redemption must be given to the registered owner of the Bond by registered or certified mail or by personal service at least 30 days prior to the redemption date, as provided in the 1915 Act. In accordance with the 1915 Act, the Director of Finance and Information Systems of the City will select Bonds for redemption in such a way that the ratio of outstanding Bonds to issued Bonds will be approximately the same in each annual series insofar as possible. Within each annual series, Bonds shall be selected for redemption by lot.

Further development of the parcels in the Assessment District, a transfer of property ownership, and other similar circumstances could result in prepayment of all or part of the assessments. Such prepayment would result in redemption of a portion of the Bonds prior to their stated maturities.

Mandatory Redemption of Term Bonds. The Bonds maturing on September 2, 2027 (the "2027 Term Bonds"), are subject to mandatory advance redemption in part prior to their stated maturity, as authorized under the Bond Resolution. The redemption shall occur on September 2 in the following years and in the following principal amounts, together with interest accrued on such amounts to the date fixed for redemption, and shall be without premium:

| <u>Year</u> <u>(September 2)</u> | <u>Principal</u> <u>Amount</u> |
|-------------------------------------|-----------------------------------|
| 2018 | \$20,000 |
| 2019 | 20,000 |
| 2020 | 20,000 |
| 2021 | 25,000 |
| 2022 | 25,000 |
| 2023 | 25,000 |
| 2024 | 25,000 |
| 2025 | 30,000 |
| 2026 | 30,000 |
| 2027 (maturity) | 30,000 |

The Bonds maturing on September 2, 2037 (the “2037 Term Bonds”), are subject to mandatory advance redemption in part prior to their stated maturity, as authorized under the Bond Resolution. The redemption shall occur on September 2 in the following years and in the following principal amounts, together with interest accrued on such amounts to the date fixed for redemption, and shall be without premium:

| Year (September 2) | Principal Amount |
|-------------------------------|-----------------------------|
| 2028 | \$35,000 |
| 2029 | 35,000 |
| 2030 | 35,000 |
| 2031 | 40,000 |
| 2032 | 40,000 |
| 2033 | 45,000 |
| 2034 | 45,000 |
| 2035 | 50,000 |
| 2036 | 50,000 |
| 2037 (maturity) | 55,000 |

If the Bonds are redeemed in part, as described under the subheading “Optional Redemption and Prepayment of Bonds” above, the principal of the Term Bonds to be redeemed on each of the payment dates set forth above shall be modified by deducting the principal amount of the Bonds redeemed in \$5,000 increments as proportionally as practicable from the principal amounts set forth above.

Effect of Redemption; Defeasance

From and after the date fixed for redemption pursuant to the Bond Resolution, if funds available for the payment of the principal of and interest (and redemption premium, if any) on the Bonds or portion of Bonds so called for redemption have been duly provided, then Bonds or portion of Bonds so called for redemption will become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price or interest) such Bonds or portions of Bonds shall be defeased and shall cease to be entitled to any benefit or security under the Bond Resolution (other than the right to receive payment of the redemption price and interest) and shall cease to bear interest.

Receipt of notice of redemption by the owner of a Bond shall not be a condition precedent to redemption and failure by the owner of a Bond to actually receive such notice of redemption shall not affect the validity of the proceedings for the redemption of such Bond or the cessation of interest.

Refunding Bonds

Pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code), the City may issue refunding bonds for the purpose of redeeming the Bonds. The City may issue and sell refunding bonds without giving notice to and conducting a hearing for the owners of property in the Assessment District, or giving notice to the owners of the Bonds, if the City Council finds that:

(A) Each estimated annual installment of principal and interest on the reassessment to secure the refunding bonds is less than the corresponding annual installment of principal and interest on the portion of the original assessment being superseded and supplanted by the same percentage for all subdivisions of land within the Assessment District. Any amount added to the annual installments on the reassessment due to a delinquency in payment on the original assessment need not be considered in this calculation;

(B) The number of years to maturity of all refunding bonds is not more than the number of years to the last maturity of the Bonds; and

(C) The principal amount of the reassessment on each subdivision of land within the Assessment District is less than the unpaid principal amount of the portion of the original assessment being superseded and supplanted by the same percentage for each subdivision of land within the Assessment District. Any amount added to a reassessment because of a delinquency in payment on the original assessment need not be considered in this calculation.

Upon issuing refunding bonds, the City Council could require that the Bonds be exchanged for refunding bonds on any basis that the City Council determines is for the City's benefit, if the Bond owners consent to the exchange. As an alternative to exchanging the refunding bonds for the Bonds, the City could sell the refunding bonds and use the proceeds to pay the principal of and interest and redemption premium, if any, on the Bonds as they become due, or advance the maturity of the Bonds and pay the principal of and interest and redemption premium thereon.

Disposition of Surplus from the Improvement Fund

The amount of any surplus remaining in the Improvement Fund after completion of the acquisition of the Improvements and payment of all claims shall be applied as a credit to the assessments or to call Bonds, all as provided in the 1913 Act.

Investment of Bond Proceeds

Moneys held in the Improvement, Redemption, and Special Reserve Funds created pursuant to the Bond Resolution shall be invested by the Director of Finance and Information Systems of the City in accordance with generally applicable City investment policies, subject to State law and federal tax regulations governing the investment of tax-exempt bond proceeds. Investment income on moneys in the Redemption Fund shall be retained therein. Proceeds of the investment of amounts in the Improvement Fund and the Special Reserve Fund will be deposited into an Investment Earnings Fund, to be established and maintained by the Director of Finance and Information Systems of the City. Moneys in the Investment Earnings Fund will be rebated, to the extent required by law, to the federal government. To the extent that moneys in the Investment Earnings Fund are not required for rebate to the federal government, as determined by the Director of Finance and Information Systems of the City as of June 30 of each year, such moneys shall be transferred to the Special Reserve Fund until the balance therein is equal to the Reserve Requirement. The remaining balance, if any, in the Investment Earnings Fund will be transferred, first, to the Improvement Fund until the Improvements are completed and such fund

is closed and, thereafter, to the Redemption Fund to be used, in the discretion of the Director of Finance and Information Systems of the City, as a credit upon the annual installments of assessments or for the advance retirement of Bonds.

Security for the Bonds

The Bonds are issued upon and secured by the unpaid assessments against the property in the Assessment District, together with interest thereon, and said unpaid assessments, together with interest thereon, constitute security for the redemption and payment of the principal of the Bonds and the interest thereon. The Bonds are further secured by the moneys in the Redemption Fund and the Special Reserve Fund created pursuant to the Assessment District proceedings. Principal of and interest and redemption premiums, if any, on the Bonds are payable exclusively out of the Redemption Fund.

The assessments and each installment thereof and any interest and penalties thereon constitute a lien against the parcels of land on which the assessments are levied 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 existing and future private liens and over all fixed special assessment liens that may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general property taxes and special taxes, including, without limitation, special taxes created pursuant to the Mello-Roos Community Facilities Act of 1982 (being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California) (the "Mello-Roos Act"), whenever created against the property.

There is no special tax lien levied on the property in the Assessment District. The property within the Assessment District is subject to an existing assessment lien of \$92.56 per parcel levied by the City in the City-wide Park District No. 98-1.

The Bonds are not secured by the general taxing power of the City, the County, the State, or any other political subdivision of the State, and neither the City, nor the County, nor the State, nor any other political subdivision of the State has pledged its full faith and credit for the payment thereof.

Although the unpaid assessments constitute fixed liens on the parcels assessed, they do not constitute the personal indebtedness of the owners of said parcels. Furthermore, there can be no assurance as to the ability or the willingness of such owners to pay the unpaid assessments. In addition, there can be no assurance that the present owners will continue to own all or any of said parcels.

The unpaid assessments will be collected in semi-annual installments, together with interest on the declining balance, on the County tax roll on which general taxes on real property are collected, 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 said general taxes. Notwithstanding the City's covenant to commence foreclosure proceedings in connection with delinquent assessments, the property upon which the assessments were levied is subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. The semi-annual assessment installments are to be paid into the Redemption Fund, which will be held by the Director of Finance and Information Systems of the

City and used to pay the principal of and interest on the Bonds as they become due. The installments billed against all of the parcels of property in the Assessment District subject to the assessments will be equal to the total principal and interest coming due on all of the Bonds that year, plus, with respect to each parcel in the Assessment District, an additional amount to cover the administrative charges of the City.

Special Reserve Fund

Out of the proceeds of the sale of the Bonds, the City Council will set aside into a Special Reserve Fund the amount of \$58,060. The Special Reserve Fund will be maintained, from assessment installment payments and from proceeds of redemption or sale of parcels with assessment delinquencies, in an amount equal to the least of (i) 10% of the proceeds of the Bonds, (ii) the maximum annual debt service on the Bonds, or (iii) 125% of the average annual debt service on the Bonds, less any amounts transferred to the Redemption Fund when assessments are paid following the issuance of the Bonds, as determined from time to time (the "Reserve Requirement"). The Special Reserve Fund will constitute a trust fund for the benefit of the owners of the Bonds. The Special Reserve Fund will be maintained, used, transferred, reimbursed, and liquidated as follows:

(a) Whenever there are insufficient funds in the Redemption Fund to pay the next maturing installment of principal of or interest on the Bonds, an amount necessary to make up such deficiency will be transferred from the Special Reserve Fund, to the extent of available funds, to the Redemption Fund. The amounts so advanced will be reimbursed from the proceeds of redemption or sale of the parcel for which payment of delinquent installments of the assessments and interest thereon has been made from the Special Reserve Fund. In the event that the Special Reserve Fund is completely depleted from such advances prior to reimbursement from resales of property or delinquency redemptions, payments to the owners of the Bonds will be dependent upon reimbursement of the Special Reserve Fund.

(b) If any assessment or any portion thereof is prepaid prior to the final maturity of the Bonds, the amount of principal of the assessment to be prepaid will be reduced by an amount that is in the same ratio to the original amount of the Special Reserve Fund as the original amount of the prepaid assessment bears to the total original amount of unpaid assessments originally securing the Bonds. The reduction in the amount of principal prepaid shall be compensated for by a transfer of like amount from the Special Reserve Fund to the Redemption Fund.

(c) All proceeds from the investment of moneys in the Special Reserve Fund will be deposited into an Investment Earnings Fund, to be established and maintained by the Director of Finance and Information Systems of the City. Moneys in the Investment Earnings Fund will be rebated, to the extent required by law, to the federal government. To the extent that moneys in the Investment Earnings Fund are not required for rebate to the federal government, as determined by the Director of Finance and Information Systems of the City as of June 30 of each year, such moneys shall be transferred to the Special Reserve Fund until the balance therein is equal to, as of the date of calculation, the Reserve Requirement. The remaining balance, if any, in the Investment Earnings Fund will be transferred, first, to the Improvement Fund until the Improvements are completed and such fund is closed and, thereafter, to the Redemption Fund to be used, in the discretion of the Director of Finance and Information Systems of the City, as a

credit upon the annual installments of assessments or for the advance retirement of Bonds. Amounts in the Special Reserve Fund in excess of the Reserve Requirement shall be deposited into the Investment Earnings Fund. See “THE BONDS – Investment of Bond Proceeds” herein.

(d) When the balance in the Special Reserve Fund is sufficient to retire all Bonds then outstanding (whether by advance retirement or otherwise), the amount of the Special Reserve Fund will be transferred to the Redemption Fund, and the remaining installments of principal and interest not yet due from the assessed property owners will be canceled without payment, and the Special Reserve Fund will be liquidated upon the retirement of the Bonds.

(e) In the event that the balance in the Special Reserve Fund at the time of liquidation exceeds the amount necessary to retire all Bonds then outstanding, the excess will be paid to the owners of the assessed parcels in the Assessment District provided, however, that, if the excess is less than \$1,000, such excess may be transferred by the Director of Finance and Information Systems of the City to the General Fund of the City.

The need to make advances from the Special Reserve Fund may result in its total depletion prior to reimbursement from resales of property or delinquency redemptions. In that event, there could be a default in payments to owners of the Bonds, the curing of which would be dependent upon reimbursement of the Special Reserve Fund.

Redemption Fund Deficiencies

If there are not sufficient funds in the Special Reserve Fund to fully cover a Redemption Fund deficiency and the City Council determines that there is a deficiency in the Redemption Fund to pay the principal of and interest on the Bonds such that there will be an ultimate loss accruing to the owners of the Bonds, the City will pay to the owners of the Bonds a proportionate share of the principal and interest due on the Bonds based on the percentage that the amount on deposit in the Redemption Fund is of the total amount of the unpaid principal of the Bonds and the interest thereon. Thereafter, as moneys representing payments of the assessments are periodically deposited into the Redemption Fund, similar proportionate payments will be made to the owners of the Bonds, all in accordance with the procedures set forth in the 1915 Act.

If there are not sufficient funds in the Special Reserve Fund to fully cover a Redemption Fund deficiency and it is determined by the Director of Finance and Information Systems of the City that there will not be an ultimate loss to the owners of the Bonds, the Director of Finance and Information Systems of the City is required to direct the Paying Agent to pay matured Bonds as presented and pay interest on the Bonds when due as long as there are available funds in the Redemption Fund, in the following order of priority: (1) all matured interest payments shall be made before the principal of any Bonds is paid; (2) interest on Bonds of earlier maturity shall be paid before interest on Bonds of later maturity; (3) within a single maturity, interest on lower-numbered Bonds shall be paid before interest on higher-numbered Bonds; and (4) the principal of Bonds shall be paid in the order in which the Bonds are presented for payment. This procedure could result in some matured Bonds not being redeemed and interest on the Bonds not being fully paid on the due dates. Such matured Bonds would not be fully redeemed and such delayed interest would not be paid until funds are available from a foreclosure sale of the property having the delinquent assessment installments.

Covenant to Commence Superior Court Foreclosure

The 1915 Act 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. 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, in the Bond Resolution, the City has covenanted with the Bond owners that, in the event any assessment or installment thereof, including any interest thereon, is not paid when due, the City will, no later than October 1 in any year, file an action in the Superior Court of the County to foreclose the lien on each delinquent assessment if (i) the sum of uncured assessment delinquencies for the preceding fiscal year exceeds 5% of the assessment installments posted to the tax roll for that fiscal year, and (ii) the amount in the Special Reserve Fund is less than the Reserve Requirement. In the event such Superior Court foreclosure or foreclosures are necessary, there may be a delay in payments to Bond 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 "SPECIAL RISK FACTORS – Covenant to Commence Superior Court Foreclosure" herein.

Priority of Lien

Each assessment (and any reassessment) and each installment thereof, and any interest and penalties thereon, constitutes a lien against the parcel of land on which it was imposed until the same is paid. Such a 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 that may thereafter be created against the property. Such a lien is co-equal to and independent of the lien for general property taxes and special taxes, including, without limitation, special taxes created pursuant to the Mello-Roos Act, whenever created against the property.

Tax Covenants

Pursuant to the Bond Resolution, the City has covenanted that it will not make any use of the proceeds of the Bonds that would cause the Bonds to become "arbitrage bonds" subject to federal income taxation pursuant to the provisions of Section 148(a) of the Internal Revenue Code of 1986, as amended (the "Code"), or to become "federally-guaranteed obligations" pursuant to the provisions of Section 149(b) of the Code, or to become "private activity bonds" pursuant to the provisions of Section 141(a) of the Code. To that end, the City will comply with all applicable requirements of the Code and all regulations of the United States Department of Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect.

Debt Service Schedule

Set forth below is the debt service schedule for the Bonds.

TABLE 2
ANNUAL BOND DEBT SERVICE

| <u>Period Ending (September 2)</u> | <u>Principal Maturing</u> | <u>Interest</u> | <u>Total Bond Debt Service</u> |
|--|-------------------------------|-----------------|------------------------------------|
| 2008 | \$10,000 | \$43,497.17 | \$ 53,497.17 |
| 2009 | 15,000 | 41,812.50 | 56,812.50 |
| 2010 | 15,000 | 41,212.50 | 56,212.50 |
| 2011 | 15,000 | 40,593.76 | 55,593.76 |
| 2012 | 15,000 | 39,956.26 | 54,956.26 |
| 2013 | 15,000 | 39,318.76 | 54,318.76 |
| 2014 | 15,000 | 38,662.50 | 53,662.50 |
| 2015 | 20,000 | 37,987.50 | 57,987.50 |
| 2016 | 20,000 | 37,062.50 | 57,062.50 |
| 2017 | 20,000 | 36,122.50 | 56,122.50 |
| 2018 | 20,000 | 35,172.50 | 55,172.50 |
| 2019 | 20,000 | 34,147.50 | 54,147.50 |
| 2020 | 20,000 | 33,122.50 | 53,122.50 |
| 2021 | 25,000 | 32,097.50 | 57,097.50 |
| 2022 | 25,000 | 30,816.26 | 55,816.26 |
| 2023 | 25,000 | 29,535.00 | 54,535.00 |
| 2024 | 25,000 | 28,253.76 | 53,253.76 |
| 2025 | 30,000 | 26,972.50 | 56,972.50 |
| 2026 | 30,000 | 25,435.00 | 55,435.00 |
| 2027 | 30,000 | 23,897.50 | 53,897.50 |
| 2028 | 35,000 | 22,360.00 | 57,360.00 |
| 2029 | 35,000 | 20,540.00 | 55,540.00 |
| 2030 | 35,000 | 18,720.00 | 53,720.00 |
| 2031 | 40,000 | 16,900.00 | 56,900.00 |
| 2032 | 40,000 | 14,820.00 | 54,820.00 |
| 2033 | 45,000 | 12,740.00 | 57,740.00 |
| 2034 | 45,000 | 10,400.00 | 55,400.00 |
| 2035 | 50,000 | 8,060.00 | 58,060.00 |
| 2036 | 50,000 | 5,460.00 | 55,460.00 |
| 2037 | <u>55,000</u> | <u>2,860.00</u> | <u>57,860.00</u> |
| Total | \$840,000 | \$828,535.97 | \$1,668,535.97 |

THE ASSESSMENT DISTRICT AND THE IMPROVEMENTS

The information under this heading is taken primarily from the Engineer's Report for the Assessment District prepared by the City Engineer of the City of Brentwood, as Assessment Engineer, which Engineer's Report is incorporated herein as APPENDIX C.

General

The Assessment District was formed in accordance with the 1913 Act. Proceedings for the formation of the Assessment District were commenced by the City Council in compliance with Part 7.5 of Division 4 of the California Streets and Highways Code and pursuant to the Resolution of Intention No. 2007-35 adopted by the City Council on February 27, 2007.

The Assessment District is centrally located within the middle of the City of Brentwood, immediately east of Minnesota Avenue and generally south of Sand Creek Road and north of Central Boulevard with Sand and Marsh Creeks bordering on the east and south. The neighborhood was developed in the 1970s and 1980s into 1 acre ranchette estate lots. Currently, the 34 parcels within the Assessment District are fully developed with single family homes ranging from 1,008 sq. ft. to 3,489 sq. ft, averaging approximately 2,100 sq. ft. per home. At this time, the homes are serviced by their own individual septic systems and water wells and the property owners desire public sewer service with the ability to subdivide or further develop their parcels in the future. Other existing improvements in the neighborhood include a full 60 ft. wide paved roadway with curb, gutter and underground storm drainage system. Approximately one half of the parcels is serviced by underground electricity and telephone, and the remainder is serviced by overhead power sources. The Assessment District boundaries are shown on the assessment diagram, a copy of which is included in the Engineer's Report incorporated herein as Appendix C.

Proceeds from the sale of the Bonds issued pursuant to the Assessment District proceedings will be used to finance (i) the Improvements, which are generally described as the acquisition and/or construction of certain public improvements as described in the Engineer's Report, which Improvements will be owned, operated, and maintained by the City, and (ii) the payment of certain incidental costs and expenses related to the acquisition and/or construction of the Improvements, the Assessment District proceedings, and the issuance of the Bonds, including the establishment of a Special Reserve Fund for the Bonds.

Description of the Assessment District and the Improvements

The improvements and scope of work described in the Engineer's Report and funded through the bond issuance consist of the construction of approximately 2,915 lineal feet of 8" sewer main, manholes, standard residential sewer laterals and related appurtenances, including pavement restoration, to service 34 residential properties in the Assessment District, and the prepayment of the City Wastewater Facilities Fees to fund improvements to the City's wastewater treatment system. Please see "APPENDIX C – ENGINEER'S REPORT" herein.

Estimated Improvement Costs

The confirmed assessment amounts with regard to the estimated costs of the Improvements and other costs relating to the Assessment District proceedings are as described in the Engineer's Report incorporated herein as Appendix C.

Method of Assessment Spread

Section 10204 of the 1913 Act requires that the assessments must be levied in proportion to the estimated benefit that the subject properties receive from the works of improvement. The statute does not provide the specific method or formula that should be used in any particular special assessment district proceeding. That responsibility rests initially with the City Engineer of the City of Brentwood, as Assessment Engineer, who is making an independent analysis of the facts and recommendations about the apportionment of the assessment obligation.

The 1913 Act provides that the Assessment Engineer makes his recommendations as to the cost and method of apportionment of the assessments in the Engineer's Report, which is then considered at the public hearing on the Assessment District. Final authority and action with respect to the levy of the assessments rests with the City Council after hearing all testimony and evidence presented at the public hearing. Upon the conclusion of the public hearing, the City Council must take final action in determining the proportionality of the benefits received by the properties assessed.

The financed costs will be spread to the assessed parcels in the Assessment District in the manner set forth in the Engineer's Report pursuant to the 1913 Act. The parcel assessment shares for City assessment districts are to be allocated or spread in accordance with the 1913 Act, which requires that the financed cost in a special assessment proceeding be allocated among the benefited parcels of land in proportion to the estimated benefit each parcel can be expected to receive from the work and improvement covered by the assessment.

The Assessment District individual parcel assessment amounts shown in the Assessment Roll in the Engineer's Report, incorporated herein as Appendix C, have been calculated or spread among the assessed parcels in proportion to the benefits to be received pursuant to the 1913 Act. To the extent that any assessments are reapportioned after the Bonds have been issued, the City will approve the same only if the security for the Bonds is not reduced or impaired.

OWNERSHIP OF PROPERTY IN THE ASSESSMENT DISTRICT

Ownership of Property in the Assessment District

Property ownership within the Assessment District is as set forth in the Engineer's Report incorporated herein as Appendix C.

None of the Landowners, or any other subsequent owner of property within the Assessment District (each, a "Property Owner"), will be personally liable for payments of the assessments to be applied to pay the principal of and interest on the Bonds. In addition, there is no assurance that the Landowners or any other Property Owner will be able to pay the assessment installments or that the Landowners or any other Property Owner will pay such installments even if it is financially able to do so. Furthermore, except to the extent expressly set forth herein, no representation is made that the Landowners or any other Property Owner will have moneys available to complete or improve the development of the land within the Assessment District (other than the Improvements) in the manner described herein. Accordingly, no Property Owner's financial statements are included in this Official Statement.

Assessment Roll

Set forth in the Engineer's Report, incorporated herein as APPENDIX C, is the assessment roll for the parcels of property within the Assessment District that are subject to the lien of the assessments. The assessment roll shows the amount of the total estimated cost of the proposed Improvement acquisition, construction and incidental cost that is assessed upon each of the lots and parcels within the Assessment District. The assessment numbers that appear on the assessment roll correspond to the assessment numbers shown on the assessment diagram in the Engineer's Report, incorporated herein as APPENDIX C.

Tax Delinquencies

The City has represented that, based upon the records of the office of the County Tax Collector, there are no delinquent property taxes or penalties owed against the parcels in the Assessment District, except for one delinquency in the 2nd installment of the property tax in fiscal year 2006-07 in the amount of \$3,261.26.

Direct and Overlapping Debt

The following table (the "Direct and Overlapping Debt Table") details the direct and overlapping debt currently encumbering property within the Assessment District. The Direct and Overlapping Debt Table has been derived from data assembled and reported to the City by California Municipal Statistics, Inc., as of July 1, 2007. Neither the City nor the Underwriter has independently verified the information in the Direct and Overlapping Debt Table and neither the City nor the Underwriter guarantees its completeness or accuracy. The Direct and Overlapping Debt Table does not include the special tax liens described under the heading "THE BONDS – Priority of Lien" herein.

TABLE 3
DIRECT AND OVERLAPPING DEBT
CITY OF BRENTWOOD
RANDY WAY SEWER LINE ASSESSMENT DISTRICT

2006-07 Local Secured Assessed Valuation: \$12,226,443

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | <u>% Applicable</u> | <u>Debt 7/1/07</u> |
|---|---------------------|-------------------------------------|
| Bay Area Rapid Transit District | 0.003% | \$ 2,616 |
| Contra Costa Community College District | 0.008 | 9,032 |
| Liberty Union High School District | 0.090 | 57,008 |
| Brentwood Union School District | 0.160 | 99,681 |
| City of Brentwood | 0.170 | 9,401 |
| East Bay Regional Park District | 0.004 | 6,652 |
| City of Brentwood Randy Way Sewer Assessment District | 100. | - ⁽¹⁾ |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | \$184,390 |
| <u>OVERLAPPING GENERAL FUND DEBT:</u> | | |
| Contra Costa County General Fund Obligations | 0.010% | \$ 29,571 |
| Contra Costa County Pension Obligations | 0.010 | 51,571 |
| Contra Costa County Board of Education Certificates of Participation | 0.010 | 90 |
| Contra Costa Community College District Certificates of Participation | 0.096 | 117 |
| Liberty Union High School District Certificates of Participation | 0.173 | 2,035 |
| Brentwood Union School District Certificates of Participation | 0.187 | 6,885 |
| City of Brentwood General Fund Obligations | 12.244 | <u>17,887</u> |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | \$108,156 |
| COMBINED TOTAL DEBT | | \$292,546 ⁽²⁾ |

(1) Excludes 1915 Act bonds to be sold.

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

Ratios to 2006-07 Local Secured Assessed Valuation:

| | |
|--|--------------|
| Direct Debt | - % |
| Total Direct and Overlapping Tax and Assessment Debt..... | 1.51% |
| Combined Total Debt | 2.39% |

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0

Source: California Municipal Statistics, Inc.

SPECIAL RISK FACTORS

General

Under the provisions of the 1915 Act, assessment installments, from which funds for the payment of annual installments of principal and interest with respect to the Bonds are derived, will be billed to properties against which there are unpaid 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. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies will likely indicate an unwillingness or inability to make regular property tax payments and assessment installment payments in the future.

In order to pay debt service on the Bonds, it is necessary that unpaid installments of assessments on land within the Assessment District are paid in a timely manner. Should the installments not be paid on time, the City has established a Special Reserve Fund in the initial amount of \$58,060, which will thereafter be maintained, from assessment installment payments and from proceeds of redemption or sale of parcels with assessment delinquencies, in the amount of the Reserve Requirement, to cover delinquencies in the payment of assessments. The assessments are secured by a lien on the parcels of land and the City can institute foreclosure proceedings to sell land in the Assessment District with delinquent installments for the amount of such delinquent installments in order to obtain funds to pay debt service on the Bonds.

Failure by owners of the parcels to pay installments of assessments when due, depletion of the Special Reserve Fund, or the inability of the City to sell parcels that 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 Bonds, and Bond owners would therefore be adversely affected.

The Bonds are not secured by the general taxing power of the City, the County, the State, or any other political subdivision of the State, and neither the City, nor the County, nor the State, nor any other political subdivision of the State has pledged its full faith and credit for the payment thereof.

Unpaid assessments do not constitute a personal indebtedness of the owners of the lots and parcels within the Assessment District. There is no assurance the owners will be able to pay the assessment installments or that they will pay such installments even though financially able to do so.

Risks of Real Estate Secured Investments Generally

Owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in and in the vicinity of the Assessment District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings or sites in the event of sale or foreclosure;

(ii) changes in real estate tax rate and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses.

Property Values

The average assessed value of each parcel in the Assessment District is approximately \$359,601.26. The total assessed value of the 34 parcels in the Assessment District is approximately \$12,226,443. Each parcel is being assessed \$27,411.75 to finance the Improvements. The total amount of assessment in the Assessment District is \$931,999.84 pursuant to the Engineer's Report. At the end of the 30-day cash payment period, the City received a total cash payment of \$82,422.92 from certain property owners. The assessment remaining unpaid in the Assessment District is \$840,924.78.

Availability of Funds to Pay Delinquent Assessment Installments

The City will establish a Special Reserve Fund out of Bond proceeds in the amount of \$58,060, which will thereafter be maintained, from assessment installment payments and from proceeds of redemption or sale of parcels with assessment delinquencies, in the amount of the Reserve Requirement. As discussed herein under the heading "THE BONDS – Special Reserve Fund," if a delinquency occurs in the payment of any assessment installment, the City has a duty to transfer to the Redemption Fund the amount of the delinquency out of the Special Reserve Fund. This duty of the City is continuing during the period of delinquency, until reinstatement, redemption, or sale of the delinquent property. There is no assurance that the balance in the Special Reserve Fund will always be adequate to pay all delinquent installments and if, during the period of delinquency, there are insufficient funds in the Special Reserve Fund to pay all delinquent installments, a delay may occur in payments to the owners of the Bonds.

Subordinate Debt; Payments by FDIC and Other Federal Agencies

All or portions of the Assessment District property may in the future secure additional loans of the owners thereof. Any such loans are subordinate to the lien of the assessments. However, in the event that any of the financial institutions making any loan that is secured by real property within the Assessment District is taken over by the Federal Deposit Insurance Corporation ("FDIC") or if a lien is imposed on the property by the Drug Enforcement Agency, the Internal Revenue Service, or other similar federal governmental agency, and, prior thereto or thereafter, the loan or loans go into default, the ability of the City to collect interest and penalties specified by state law and to foreclose the lien of a delinquent unpaid assessment may be limited.

Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "1991 Policy Statement"). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for

delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement is unclear as to whether the FDIC considers assessments such as those levied by the City to be "real property taxes" that they intend to pay. However, the Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel within the Assessment District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Special Reserve Fund and perhaps, ultimately, a default in payment on the Bonds. Based on the secured tax roll as of January 1, 2007, the FDIC does not presently own any property within the Assessment District. The City expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Tax Delinquencies

Assessment installments, from which funds necessary for the payment of annual installments of principal of and interest on the Bonds are to be derived, will be billed to each property against which there is an unpaid assessment on the regular property tax bills sent to the owner of such property. Such installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Under certain circumstances, assessment installment payments on parcels of property in the County can be made separately from regular property tax payments for such parcels. Property tax payments will not be accepted, however, unless the assessment installments for such parcels have also been paid. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills, as evidenced by property tax delinquencies, will likely indicate an unwillingness or inability to make regular property tax payments and assessment installment payments in the future. A failure of property owners to pay installments of assessments when due could result in a default in payments of the principal of and interest on the Bonds.

The City reports that, based upon the records of the office of the Contra Costa County Tax Collector with respect to payments of property tax installments for fiscal years 2002-03,

2003-04, 2004-05, 2005-06 and 2006-07, there was only one delinquency in the payment of the 2nd installment of the property tax in fiscal year 2006-07 in the amount of \$3,261.26.

Limited Obligation of the City Upon Delinquency

If a delinquency occurs in the payment of any assessment installment, the City has a duty only to transfer into the Redemption Fund the amount of the delinquency out of the Special Reserve Fund and to undertake, under certain circumstances, judicial foreclosure proceedings to recover such delinquencies. See "THE BONDS –Covenant to Commence Superior Court Foreclosure" herein. This duty of the City is continuing during the period of delinquency, until reinstatement, redemption, or sale of the delinquent property. There is no assurance that funds will be available for this purpose and if, during the period of delinquency, there are insufficient funds in the Special Reserve Fund, a delay may occur in payments to the owners of the Bonds. If there are additional delinquencies after exhaustion of funds in the Special Reserve Fund, the City is not obligated to transfer into the applicable Redemption Fund the amount of such delinquency out of any other available moneys of the City.

THE CITY'S LEGAL RESPONSIBILITIES WITH RESPECT TO SUCH DELINQUENT INSTALLMENTS ARE LIMITED TO ADVANCING THE AMOUNT THEREOF SOLELY FROM ANY AVAILABLE MONEYS IN THE SPECIAL RESERVE FUND AND TO UNDERTAKING, UNDER CERTAIN CIRCUMSTANCES, JUDICIAL FORECLOSURE PROCEEDINGS TO RECOVER SUCH DELINQUENCIES. THIS DUTY OF THE CITY TO ADVANCE FUNDS IS CONTINUING DURING THE PERIOD OF DELINQUENCY ONLY TO THE EXTENT OF FUNDS AVAILABLE FROM THE SPECIAL RESERVE FUND UNTIL REINSTATEMENT, REDEMPTION, OR SALE OF THE DELINQUENT PROPERTY. IN ACCORDANCE WITH SECTION 8769(b) OF THE 1915 ACT, THE CITY HAS DETERMINED THAT IT WILL NOT ADVANCE FUNDS FROM ITS TREASURY TO CURE ANY DEFICIENCY IN THE REDEMPTION FUND.

Bankruptcy and Foreclosure

The payment of assessment installments and the ability of the City to foreclose on the lien of a delinquent unpaid assessment, as discussed below in the section entitled "SPECIAL RISK FACTORS – Covenant to Commence Superior Court Foreclosure," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the various legal instruments, by reference to bankruptcy, insolvency, reorganization, arrangement, moratorium, and other similar laws affecting the rights of creditors generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies in the State.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority

over a secured creditor with a prior lien on the property. The court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition as “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

According to the court’s ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that the debtor has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time become subject to current *ad valorem* taxes.

Glasply is controlling precedent on bankruptcy courts in the State of California. Pursuant to statute, the lien date for general *ad valorem* property taxes levied in the State of California is the January 1 preceding the fiscal year for which the taxes are levied. Therefore, under *Glasply*, a bankruptcy petition filing would prevent the lien for general *ad valorem* property taxes levied in subsequent fiscal years from attaching so long as the property was a part of the estate in bankruptcy. Under current law, the lien of an assessment, unlike the lien for general *ad valorem* property taxes, attaches upon recordation of the notice of assessment. The notice of assessment for the Assessment District assessments was recorded in the Official Records of Contra Costa County on December 16, 2005. Therefore, before applying *Glasply* to a bankruptcy situation involving assessments rather than general *ad valorem* property taxes, a court would need to consider the differences in the statutory provisions for creation of the applicable assessment lien. If a court were to apply *Glasply* to eliminate the priority as a secured claim of the assessment lien with respect to post petition levies of the assessments as against property owners within the Assessment District who file for bankruptcy, collections of the assessments from such property owners could be reduced.

It should also be noted that on October 22, 1994, Congress enacted 11 U.S.C. Section 362(b)(18), which added a new exception to the automatic stay for *ad valorem* property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Pursuant to this new provision of law, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for *ad valorem* taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bond owners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Assessment District assessments depends upon whether a court were to determine that the assessments should be treated like *ad valorem* taxes for this purpose.

Whether or not bankruptcy proceedings were to cause the assessment liens to become extinguished, bankruptcy of a property owner in all likelihood would result in a delay in prosecuting superior court foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds, and the possibility that delinquent assessment installments might not be paid in full.

Economic, Political, Social, and Environmental Conditions

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, or

international level may adversely affect investment risk generally. Such changes may also adversely affect the value of property within the Assessment District or the willingness or ability of the owners of land within the Assessment District to pay their assessments. Such conditional changes may include (but are not limited to) fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources or energy supplies, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage, and natural disasters.

Articles XIII A and XIII B of the California Constitution

On June 6, 1978, California voters approved an amendment to the California Constitution, commonly known as Proposition 13 (the Jarvis/Gann Initiative) that added Article XIII A to the California Constitution. The effect of Article XIII A is to limit *ad valorem* taxes on real property. On November 7, 1978, California voters approved Proposition 8, which made certain clarifications to Article XIII A.

Article XIII A of the California Constitution limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. 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." The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% per year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and allows local governments to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes on real property, while otherwise generally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues.

Enactment of Article XIII A has reduced the amount of general property tax revenues received by the City. This reduction in such revenues makes it less likely that the City will have surplus funds, other than the Special Reserve Fund, with which to advance funds to make any payments or to cure any deficiency in the Redemption Fund, should the City, in the exercise of its discretion, choose to do so. If there are additional delinquencies after exhaustion of funds in the Special Reserve Fund, the City has no obligation to transfer into the Redemption Fund the amount of any such delinquencies out of any surplus moneys of the City.

On July 2, 1979, the Fifth District Court of Appeal rendered a 3-0 decision in the case of *County of Fresno v. Malmstrom* (94 Cal. App. 3d 1974) that determined that special assessments are not subject to the limitations of Article XIII A (Proposition 13). The Court held the one percent tax limitation imposed by California Constitution Article XIII A on *ad valorem* taxes

does not apply to special assessments levied pursuant to the Improvement Act of 1911 (Streets and Highways Code, Section 5000 *et seq.*, the relevant portions of which are incorporated in the 1915 Act) and the 1913 Act. The Court further held that because special assessments pursuant to such acts are not within the definition of “special taxes” in Article XIII A, the Constitution does not require the levy of assessments and the issuance of bonds to be approved by a two-thirds vote of the qualified electors in an assessment district. On September 12, 1979, the California Supreme Court refused to hear an appeal of the lower court’s decision.

At the November 6, 1979, general election, Proposition 4 (the Gann Initiative) was approved by the voters of California. Such proposition added Article XIII B to the California Constitution.

Article XIII B of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the fiscal year 1978-79 and the limit is to be adjusted annually to reflect changes in population, consumer prices, and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be allocated to fund schools or be returned by revising tax rates or fee schedules over the subsequent two years.

On December 17, 1980, the Third District Court of Appeal rendered a 3-0 decision in the case *County of Placer v. Corin* (113 Cal. App. 3d 443) that determined that special assessments are not subject to the limitation of Article XIII B (Proposition 4). The Court held that the definition of “proceeds of taxes” imposed by California Constitution Article XIII B does not apply to special assessments and improvement bonds issued pursuant to the 1915 Act and the 1913 Act. The decision of the Court was not appealed.

The enactment of Article XIII A of the California Constitution (Proposition 13) and subsequent legislative enactments effectively repeal the otherwise mandatory duty on the part of the City, under the 1915 Act, to levy and collect a special tax (in an amount necessary to meet delinquencies, but not to exceed ten cents on each \$100 of assessable property within the City in any one year) if other funds are not available to cover delinquencies.

In early 1990, the U.S. Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia, which had resulted in vastly different assessments of similar properties. Since Article XIII A provides that property may only be reassessed up to 2%, per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable

property in a community. The U.S. Supreme Court in the West Virginia case expressly declined to comment in any way on the constitutionality of Article XIII A.

Based on this decision, however, property owners in California brought three suits challenging the acquisition value assessment provisions of Article XIII A. Two cases involved residential property and one case involved commercial property. In all three cases, State trial and appellate courts upheld the constitutionality of Article XIII A's assessment rules and concluded that the West Virginia case did not apply to California's laws. The U.S. Supreme Court agreed to hear the appeal in the challenge relating to commercial property, but the plaintiff subsequently decided to drop the case.

On June 18, 1992, in the case of *Nordlinger v. Lynch* (112 U.S. 2326), the U.S. Supreme Court affirmed the decision of the California Court of Appeal, Second Appellate District, which lower court previously held that Article XIII A does not violate the U.S. Constitution.

The City cannot predict whether any other pending or future challenges to the State's present system of property tax assessment will be successful, when the ultimate resolution of any challenge will occur, or the ultimate effect any decision regarding the State's present system of property tax assessment will have on the City's revenues or on the State's financial obligations to local governments.

Articles XIIC and XIID of the California Constitution

Proposition 218, a state ballot initiative known as the "Right to Vote on Taxes Act," was approved by California voters on November 5, 1996. Proposition 218 added Articles XIIC and XIID to the State Constitution, and, with the exception of certain provisions, Articles XIIC and XIID became effective on November 6, 1996.

Article XIID, entitled "Assessment and Property Related Fee Reform," contains several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the City under the 1913 Act (including, if applicable, any increase in such assessment or any supplemental assessment under the 1913 Act) must be conducted in conformity with the provisions of Section 4 of Article XIID. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIID additionally provides that in levying "assessments" a local government must separate the "general benefits" from the "special benefits" conferred on a parcel and may not impose on any parcel an assessment that exceeds the "reasonable cost of the proportional special benefit conferred on that parcel." Article XIID also contains various notice requirements and a public hearing requirement and prohibits the imposition of an assessment if ballots submitted by property owners, weighted according to the proportional financial obligation of the affected property, in opposition to the assessment exceed the ballots submitted in favor of the assessment. The City believes that it has complied with all provisions of Article XIID applicable to the Assessment District proceedings described herein. All ballots submitted by property owners were in favor of the assessment.

Article XIIC, entitled "Voter Approval for Local Tax Levies," provides, in Section 3 thereof, that the initiative power shall "not be prohibited or otherwise limited in matters of

reducing or repealing any ... assessment” of the City. Therefore, Article XIIC removes limitations on the initiative power in matters of, among other things, assessments. Consequently, the voters of the City could, by future initiative, repeal, reduce, or prohibit the future imposition or increase of any assessment. “Assessment” is not defined in Article XIIC and it is not clear whether the definition of that term in Article XIID (which is generally property-related as described above) would be applied to Article XIIC. No assurance can be given that the voters of the City will not, in the future, approve initiatives that repeal, reduce, or prohibit the future imposition or increase of any assessments.

In the case of the unpaid assessments that are pledged as security for payment of the Bonds, the 1915 Act provides a mandatory, statutory duty of the City and the County Auditor to post installments on account of the unpaid assessments to the County property tax roll each year while any of the Bonds are outstanding in aggregate amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year. Although the provisions of Article XIIC have not been interpreted by the courts, the City believes that the initiative power cannot be used to reduce or repeal the unpaid assessments that are pledged as security for payment of the Bonds or to otherwise interfere with the mandatory, statutory duty of the City and the County Auditor with respect to the unpaid assessments that 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.

Future Initiatives

Articles XIII A, XIII B, XIIC, and XIID of the Constitution were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, which may affect the ability of the City to levy and maintain assessments.

Covenant to Commence Superior Court Foreclosure

The 1915 Act 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 assessment. 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, in the Bond Resolution, the City has covenanted that, in the event any assessment or installment thereof, including any interest thereon, is not paid when due, the City will, no later than October 1 in any year, file an action in the Superior Court of Contra Costa County to foreclose the lien on each delinquent assessment if (i) the sum of uncured assessment delinquencies for the preceding fiscal year exceeds 5% of the assessment installments posted to the tax roll for that fiscal year and (ii) the amount in the Special Reserve Fund is less than the Reserve Requirement. In the event such Superior Court foreclosure or foreclosures are necessary, there may be a delay in payments to the owners of the Bonds, 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.

Prior to July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 140 days must elapse after a court adjudges and decrees a lien against the lot or parcel of land covered by an assessment or reassessment before the sale of such parcel can be given. Furthermore, if the purchaser at the sale is the judgment creditor, *i.e.*, the City, an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale.

Price Realized Upon Foreclosure

The 1915 Act provides that, under certain circumstances, property may be sold upon foreclosure at less than the Minimum Price or without a Minimum Price upon petition by the City. "Minimum Price" as used in this section is the amount equal to the delinquent installments of principal and interest on the assessment or reassessment, together with all interest, penalties, costs, fees, charges and other amounts more fully detailed in the 1915 Act. The court may authorize a sale at less than the Minimum Price if the court determines, based on the evidence introduced at the required hearing, any of the following:

(A) Sale at the lesser Minimum Price or without a Minimum Price will not result in an ultimate loss to the owners of the Bonds.

(B) Owners of 75% or more of the outstanding Bonds, by principal amount, have consented to such petition by the City and the sale will not result in an ultimate loss to the non-consenting Bond owners.

(C) Owners of 75% or more of the outstanding Bonds, by principal amount, have consented to the petition and all of the following apply:

(1) By reason of determination pursuant to the 1915 Act, the City is not obligated to advance funds to cure a deficiency (the City made such a determination not to be obligated with respect to the Bonds).

(2) No bids equal to or greater than the Minimum Price have been received at the foreclosure sale.

(3) No funds remain in the Special Reserve Fund.

(4) The City has reasonably determined that a reassessment and refunding proceeding is not practicable, or has in good faith endeavored to accomplish a reassessment and refunding and has not been successful, or has completed a reassessment and refunding arrangement that will, to the maximum extent feasible, minimize the ultimate loss to the Bond owners.

(5) No other remedy acceptable to owners of 75% or more of the outstanding Bonds, by principal amount, is reasonably available.

The assessment or reassessment lien upon property sold pursuant to this procedure at a lesser price than the Minimum Price shall be reduced by the difference between the Minimum

Price and the sale price. In addition, the court shall permit participation by the Bond owners in its consideration of the petition as necessary to its determinations.

Implementation of the above-described Minimum Price provision by the court upon foreclosure could result in nonpayment of amounts due to Bond owners who are not in agreement with the 75% of such Bond owners required to approve the sale at less than the Minimum Price. Reference should be made to the 1915 Act for a complete presentation of this provision.

Priority of Lien

Each assessment (and any reassessment) and each installment thereof, and any interest and penalties thereon, constitutes a lien against the parcel of land on which it was imposed until the same is paid. Such a 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 that may thereafter be created against the property. Such a lien is co-equal to and independent of the lien for general property taxes and special taxes, including, without limitation, special taxes created pursuant to the Mello-Roos Act, whenever created against the property.

Refunding Bonds

Pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code), the City may issue refunding bonds for the purpose of redeeming the Bonds. After the making of certain required findings by the City Council, the City may issue and sell refunding bonds without giving notice to and conducting a hearing for the owners of property in the assessment district, or giving notice to the owners of the Bonds. See "THE BONDS – Refunding Bonds" herein. Upon issuing refunding bonds, the City Council could require that the Bonds be exchanged for refunding bonds on any basis that the City Council determines is for the City's benefit, if the Bond owners consent to the exchange. As an alternative to exchanging the refunding bonds for the Bonds, the City could sell the refunding bonds and use the proceeds to pay the principal of and interest and redemption premium, if any, on the Bonds as they become due, or advance the maturity of the Bonds and pay the principal of and interest and redemption premium thereon.

Absence of Market for Bonds

No application has been made for a rating for the Bonds, and it is not known whether a rating for the Bonds could be secured either now or in the future. There can be no assurance that there will ever be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions and the financial condition or market position of firms that may comprise the secondary market.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," interest on the Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City.

ENFORCEABILITY OF REMEDIES

The remedies available to the Paying Agent, the City, or the owners of the Bonds upon any nonpayment of assessment installments are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code) and relevant banking and insurance law, the remedies provided in the 1915 Act and the 1913 Act may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies in the State of California.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds or the Bond Resolution, and an opinion of the City Attorney to that effect will be furnished to the purchaser at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to pay interest on the Bonds. There are a number of lawsuits and claims pending against the City. In the opinion of the City Attorney, the aggregate amount of liability that the City might incur as a result of adverse resolutions in such cases would likely be covered under the City's insurance policies or self-insurance program.

CERTAIN INFORMATION CONCERNING THE CITY

Certain general information concerning the City is included in APPENDIX A herein. **THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE BONDS OR THE INTEREST THEREON, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE BONDS OR THE INTEREST THEREON.**

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("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 B 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 City 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.

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.

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 City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City 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 City 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 City 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 City 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 City or the Beneficial Owners to incur significant expense.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

APPROVAL OF LEGALITY

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of bond counsel opinion is contained in APPENDIX B herein and is printed on the Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain matters will be passed upon for the City by the City

Attorney of the City of Brentwood. Certain other matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the City.

UNDERWRITING

The underwriter of the Bonds is RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "Underwriter"). Pursuant to a Bond Purchase Contract between the City and the Underwriter, the Bonds are being purchased by the Underwriter at a purchase price equal to the principal amount of Bonds being issued less an original issue discount of \$427.65 and less an Underwriter's discount of \$16,800.00. The Bond Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase, if made, being subject to certain terms and conditions set forth in the Bond Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at a price other than the offering price. The offering price may be changed from time to time by the Underwriter.

NO RATING

The City has not made and does not contemplate making application to any rating agency for the assignment of a rating to the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of Bondholders to provide annual reports containing certain financial information and operating data relating to the Assessment District and the property in the Assessment District, and to provide notices of the occurrence of certain enumerated events, if material. The specific nature of the information to be contained in each annual report or each notice of material events, if any, will be provided annually not later than nine (9) months after the end of the City's Fiscal Year (*i.e.*, currently not later than April 1 of each year), commencing with the report for the 2006-07 Fiscal Year, as set forth in the Continuing Disclosure Certificate, the form of which is incorporated herein as "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time (the "Rule"). The City has represented that, in the past five years, neither it nor any entity providing annual financial information or notices of material events under its Continuing Disclosure Certificate has ever failed to comply, in all material respects, with any previous undertaking by it to provide annual reports and notices of material events set forth in a written contract or agreement specified in the Rule.


MISCELLANEOUS

The foregoing summaries or descriptions of provisions of the Bonds, the Bond Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to said documents for full and complete statements of their provisions. The appendices hereto are a part of this Official Statement.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. The Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF BRENTWOOD

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

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APPENDIX A

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 "INTRODUCTORY STATEMENT – Security for the Bonds."

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 14+/- 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 Union 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 which will change to a four-year term in election year 2008. 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. The City has approximately 295 full-time employees.

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> |
|-------------|--------------------------|----------------------------|----------------------------|
| 2002 | 30,047 | 983,439 | 35,088,671 |
| 2003 | 34,109 | 996,159 | 35,691,472 |
| 2004 | 38,395 | 1,008,178 | 36,245,016 |
| 2005 | 42,050 | 1,019,101 | 36,728,196 |
| 2006 | 45,892 | 1,029,377 | 37,172,015 |
| 2007 | 48,907 | 1,042,341 | 37,662,518 |

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

Effective Buying Income

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

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2001 through 2005.

**Effective Buying Income
As of January 1, 2001 through 2005**

| <u>Year</u> | <u>Area</u> | <u>Total Effective Buying Income</u> (000's Omitted) | <u>Median Household Effective Buying Income</u> |
|-------------|---------------------|---|---|
| 2001 | Contra Costa County | \$ 23,902,953 | \$56,507 |
| | California | 650,521,407 | 43,532 |
| | United States | 5,303,481,498 | 38,365 |
| 2002 | Contra Costa County | \$ 24,571,388 | \$54,448 |
| | California | 647,879,427 | 42,484 |
| | United States | 5,340,682,818 | 38,035 |
| 2003 | Contra Costa County | \$ 25,962,828 | \$54,862 |
| | California | 674,721,020 | 42,924 |
| | United States | 5,466,880,008 | 38,201 |
| 2004 | Contra Costa County | \$ 27,273,658 | \$56,165 |
| | California | 705,108,410 | 43,915 |
| | United States | 5,692,909,567 | 39,324 |
| 2005 | Contra Costa County | \$ 27,450,775 | \$56,979 |
| | California | 720,798,106 | 44,681 |
| | United States | 5,894,663,750 | 40,529 |

Source: Sales & Marketing Management Survey of Buying Power.

Commercial Activity

Total taxable sales during calendar year 2005 in the City were reported to be \$388,536,000, a 16.2% increase over the total taxable sales of \$334,362,000 reported during calendar year 2004. 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. Yearly figures are not yet available for 2006.

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

| <u>Year</u> | <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> |
| 2001 | 277 | 161,364 | 536 | 194,323 |
| 2002 | 292 | 169,876 | 561 | 199,316 |
| 2003 | 362 | 198,832 | 687 | 232,542 |
| 2004 | 387 | 298,821 | 745 | 334,262 |
| 2005 | 426 | 348,694 | 828 | 388,536 |

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

Total taxable sales during calendar year 2005 in the County were reported to be \$13,480,075, a 3.8% increase over the total taxable sales \$12,990,538,000 reported during calendar year 2004. 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. Yearly figures are not yet available for 2006.

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

| <u>Year</u> | <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> |
| 2001 | 10,782 | 8,942,822 | 22,609 | 12,256,721 |
| 2002 | 10,836 | 9,044,346 | 22,541 | 12,159,424 |
| 2003 | 11,575 | 9,025,114 | 23,253 | 12,223,295 |
| 2004 | 11,717 | 9,697,365 | 23,571 | 12,990,538 |
| 2005 | 11,776 | 10,072,084 | 23,692 | 13,480,075 |

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

Employment

Contra Costa County and Alameda County comprise the Oakland Metropolitan Statistical Area. The civilian labor force, employment and unemployment for the Oakland Metropolitan Statistical Area is outlined in the following table.

**OAKLAND METROPOLITAN STATISTICAL AREA
(Alameda and Contra Costa Counties)
Civilian Labor Force, Employment and Unemployment, Employment by Industry
(Annual Averages)**

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Civilian Labor Force ⁽¹⁾ | 1,287,400 | 1,288,500 | 1,273,400 | 1,261,500 | 1,259,700 | 1,264,400 |
| Employment | 1,229,500 | 1,206,800 | 1,189,500 | 1,188,600 | 1,196,200 | 1,209,100 |
| Unemployment | 57,900 | 81,700 | 83,900 | 72,900 | 63,500 | 55,300 |
| Unemployment Rate | 4.5% | 6.3% | 6.6% | 5.8% | 5.0% | 4.4% |
| Wage and Salary Employment: ⁽²⁾ | | | | | | |
| Agriculture | 3,000 | 3,000 | 2,600 | 1,500 | 1,500 | 1,400 |
| Natural Resources and Mining | 1,600 | 1,200 | 900 | 1,200 | 1,100 | 1,200 |
| Construction | 69,700 | 66,600 | 67,100 | 69,100 | 74,000 | 73,500 |
| Manufacturing | 113,200 | 103,600 | 98,000 | 99,100 | 95,400 | 96,900 |
| Wholesale Trade | 55,400 | 53,100 | 50,600 | 48,700 | 48,400 | 48,700 |
| Retail Trade | 113,300 | 112,000 | 110,500 | 110,200 | 112,300 | 112,200 |
| Transportation, Warehousing and Utilities | 41,300 | 39,500 | 36,000 | 33,900 | 34,400 | 34,500 |
| Information | 37,700 | 35,200 | 32,600 | 31,000 | 30,400 | 29,700 |
| Finance and Insurance | 40,300 | 44,200 | 49,400 | 48,900 | 51,700 | 50,500 |
| Real Estate and Rental and Leasing | 18,300 | 18,300 | 18,200 | 18,300 | 18,800 | 18,500 |
| Professional and Business Services | 159,000 | 149,600 | 144,900 | 146,700 | 150,600 | 155,000 |
| Educational and Health Services | 112,500 | 114,700 | 117,000 | 117,900 | 118,600 | 121,800 |
| Leisure and Hospitality | 77,900 | 79,900 | 80,400 | 80,600 | 82,600 | 85,700 |
| Other Services | 35,800 | 37,800 | 37,500 | 37,000 | 35,800 | 35,900 |
| Federal Government | 19,200 | 18,600 | 18,600 | 17,500 | 17,400 | 17,300 |
| State Government | 47,300 | 49,100 | 48,800 | 47,100 | 46,100 | 45,800 |
| Local Government | 112,300 | 116,500 | 115,000 | 114,400 | 116,500 | 118,900 |
| Total, All Industries ⁽³⁾ | 1,057,800 | 1,042,800 | 1,028,200 | 1,023,000 | 1,035,800 | 1,047,600 |

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

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

(3) Total may not add due to rounding.

Source: Labor Division of the California State Employment Development Department.

Major Employers

The following table lists the largest employers within the County.

COUNTY OF CONTRA COSTA Major Employers (As of January 2006)

| <u>Employer Name</u> | <u>Location</u> | <u>Industry</u> |
|--------------------------------|-----------------|--|
| Bart | Richmond | Transit Lines |
| Berlex Biosciences | Richmond | Pharmaceutical Preparation |
| Bio-Rad Laboratories Inc | Hercules | Laboratory Analytical Instruments (Mfrs) |
| Chevron Texaco | Richmond | Engineers-Petroleum Refining & Trnsmss |
| Chevron Texaco Downstream | San Ramon | Service Stations-Gasoline & Oil |
| Contra-Costa Regional Med Ctr | Martinez | Government Offices-County |
| Doctor's Medical Ctr | San Pablo | Drug Abuse & Addiction Info & Treatment |
| Irwin Home Equity Corp | San Ramon | Real Estate Loans |
| John Muir Medical Ctr | Walnut Creek | Emergency Medical & Surgical Service |
| Kaiser Permanente Medical Ctr | Martinez | Health Plans |
| Kaiser Permanente Medical Ctr | Walnut Creek | Hospitals |
| Martinez Refining Co | Martinez | Petroleum Products-Manufacturers |
| Mt Diablo Medical Ctr | Concord | Rehabilitation Services |
| Muirlab | Walnut Creek | Laboratories-Medical |
| Nordstrom | Walnut Creek | Department Stores |
| Oakley Muffler Svc | Oakley | Automobile Repairing & Service |
| Pmi Mortgage Insurance Co | Walnut Creek | Insurance-Mortgage |
| Richmond City Hall | Richmond | City Government-Executive Offices |
| Richmond City Offices | Richmond | Government Offices-City, Village & Twp |
| San Ramon Regional Medical Ctr | San Ramon | Hospitals |
| St Mary's College-California | Moraga | Schools-Universities & Colleges Academic |
| Sutter Delta Medical Ctr | Antioch | Hospitals |
| Tesoro Refining & Marketing Co | Pacheco | Convenience Stores |
| United Realty & Mortgage | Concord | Real Estate |
| Uss-Posco Industries | Pittsburg | Steel Mills |

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

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>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|----------------------------|----------------|----------------|----------------|-----------------|----------------|----------------|
| <u>Permit Valuation</u> | | | | | | |
| New Single-family | \$226,709.5 | \$326,206.8 | \$260,659.7 | \$271,770.0 | \$301,457.8 | \$113,336.8 |
| New Multi-family | 0.0 | 0.0 | 0.0 | 19,093.3 | 4,089.8 | 977.5 |
| Res. Alterations/Additions | <u>1,605.0</u> | <u>1,445.0</u> | <u>1,189.9</u> | <u>2,551.8</u> | <u>2,926.1</u> | <u>2,522.4</u> |
| Total Residential | \$228,314.1 | \$327,651.8 | \$261,849.6 | \$293,415.1 | \$308,473.7 | \$116,836.7 |
| | | | | | | |
| New Commercial | \$5,245.6 | \$11,179.7 | \$23,395.9 | \$33,637.2 | \$13,319.3 | \$26,706.0 |
| New Industrial | 0.0 | 2,758.2 | 1,626.4 | 5,113.1 | 7,453.0 | 1,858.2 |
| New Other | 6,053.1 | 14,932.5 | 10,444.3 | 14,130.6 | 21,133.3 | 9,306.5 |
| Com. Alterations/Additions | <u>546.6</u> | <u>5,122.1</u> | <u>3,353.5</u> | <u>13,076.4</u> | <u>6,502.3</u> | <u>5,507.9</u> |
| Total Nonresidential | \$11,845.2 | \$33,992.6 | \$38,820.1 | \$65,957.4 | \$48,407.9 | \$43,378.6 |
| | | | | | | |
| <u>New Dwelling Units</u> | | | | | | |
| Single Family | 1,255 | 1,689 | 1,361 | 1,306 | 1,413 | 482 |
| Multiple Family | <u>0</u> | <u>0</u> | <u>0</u> | <u>226</u> | <u>82</u> | <u>20</u> |
| TOTAL | 1,255 | 1,689 | 1,361 | 1,532 | 1,495 | 502 |

Source: Construction Industry Research Board, Building Permit Summary.

According to the Brentwood 2001-2021 General Plan, 26,653 dwelling units are planned in the City by the year 2021. Of the planned units, there are 2,899 high density multi-family units with 5,296 medium density units.

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

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <u>Permit Valuation</u> | | | | | | |
| New Single-family | \$ 917,086 | \$1,219,608 | \$1,263,361 | \$1,113,574 | \$1,525,515 | \$ 986,695 |
| New Multi-family | 81,837 | 60,105 | 190,449 | 123,332 | 106,513 | 157,972 |
| Res. Alterations/Additions | <u>171,687</u> | <u>213,248</u> | <u>230,430</u> | <u>233,108</u> | <u>293,394</u> | <u>307,153</u> |
| Total Residential | \$1,170,610 | \$1,492,961 | \$1,684,240 | \$1,470,014 | \$1,925,422 | \$1,451,820 |
| | | | | | | |
| New Commercial | \$262,718 | \$134,263 | \$128,736 | \$102,547 | \$ 87,900 | \$101,790 |
| New Industrial | 8,832 | 9,316 | 33,047 | 17,422 | 21,156 | 14,530 |
| New Other | 88,752 | 87,957 | 53,037 | 68,105 | 122,628 | 122,628 |
| Com. Alterations/Additions | <u>164,673</u> | <u>143,626</u> | <u>197,299</u> | <u>187,109</u> | <u>161,188</u> | <u>173,557</u> |
| Total Nonresidential | \$524,975 | \$375,162 | \$412,119 | \$375,183 | \$392,872 | \$412,505 |
| | | | | | | |
| <u>New Dwelling Units</u> | | | | | | |
| Single Family | 4,152 | 5,076 | 4,965 | 4,222 | 5,452 | 3,310 |
| Multiple Family | <u>984</u> | <u>729</u> | <u>1,930</u> | <u>1,261</u> | <u>860</u> | <u>1,178</u> |
| TOTAL | 5,136 | 5,805 | 6,895 | 5,483 | 6,312 | 4,488 |

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 AT&T. Water is supplied by City wells and the Contra Costa Water 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 High School District which provide K-12 public education needs. There are three high schools, two junior highs and seven elementary schools located in the City.

Near the City are four colleges: Los Medanos Community College in Pittsburg, Diablo Valley Community College in Concord, Cal State East Bay in Concord and San Joaquin Delta Community College and University of the Pacific in Stockton. The City has partnered with Los Medanos Community College to establish a Brentwood Center within the City.

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. A Highway 4 Bypass is currently under construction that will allow for “quick” access to surrounding communities, regional employment locations 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

| <u>Proximity</u> | <u>Distance</u> | <u>Time</u> |
|----------------------------|-----------------|-------------|
| 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 to Brentwood’s “park and ride” connecting to Antioch and the existing Pittsburg BART station.

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 over 1,000,000 people and thousands of businesses who are served by 19 cities, 201 special districts and the County. The County also provides municipal services for residents of unincorporated areas.

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APPENDIX B
FORM OF OPINION OF BOND COUNSEL

_____, 2007

City Council
City of Brentwood
708 Third Street
Brentwood, CA 94513

City of Brentwood
Limited Obligation Improvement Bonds
Randy Way Sewer Line Assessment District
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Brentwood (the "Issuer") in connection with issuance of \$840,000 aggregate principal amount of the City of Brentwood Limited Obligation Improvement Bonds, Randy Way Sewer Line Assessment District (the "Bonds"), issued pursuant to the provisions of the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915 and Resolution No. 2007-174, adopted by the City Council on July 24, 2007 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Resolution.

In such connection, we have reviewed the Resolution, the Tax Certificate of the Issuer dated the date hereof (the "Tax Certificate"), an opinion of counsel to the Issuer, certificates of the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, 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 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. Accordingly, this opinion is not intended to, and may not be relied upon in connection with any such actions, events or matters.. Our engagement with respect to the Bonds has concluded with their issuance, 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 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 Resolution 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 Resolution and the Tax Certificate and their enforceability 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 cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps and other engineering details of the proceedings, or upon the validity of the individual separate assessments securing the Bonds which validity depends, in addition to the legal steps required, upon the accuracy of certain of the engineering details. 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 special assessment obligations of the Issuer, payable solely from and secured by the unpaid assessments and certain funds held under the Resolution.
2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the Issuer.
3. 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 in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

ENGINEER'S REPORT

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FINAL ENGINEER'S REPORT

RANDY WAY SEWER LINE ASSESSMENT DISTRICT

**CITY OF BRENTWOOD
COUNTY OF CONTRA COSTA
STATE OF CALIFORNIA**

April 24, 2007



ENGINEER'S REPORT

**RANDY WAY SEWER LINE ASSESSMENT DISTRICT
CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

The undersigned respectfully submits the enclosed report as directed by the City Council.

DATED: April 24, 2007.

BALWINDER S. GREWAL, P.E. City Engineer
Engineer of Work
City of Brentwood,
County of Contra Costa,
State of California

By 
Balwinder S. Grewal, P.E. City Engineer

I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment and Assessment Diagram thereto attached, was filed with me on the 24th day of April, 2007

MARGARET WIMBERLY, City Clerk
City of Brentwood,
County of Contra Costa,
State of California

By 
Margaret Wimberly

I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment and Assessment Diagram thereto attached, was approved and confirmed by the City Council of the City of Brentwood, Contra Costa County, California, on the 24th day of April, 2007.

MARGARET WIMBERLY, City Clerk
City of Brentwood,
County of Contra Costa,
State of California

By 
Margaret Wimberly

I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment and Assessment Diagram thereto attached, was recorded in my office on the 25th day of April, 2007.

BALWINDER S. GREWAL, P.E. City Engineer
City of Brentwood,
County of Contra Costa,
State of California

By 
Balwinder S. Grewal, P.E. City Engineer

ENGINEER'S REPORT

RANDY WAY SEWER LINE ASSESSMENT DISTRICT CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

The CITY ENGINEER of the CITY OF BRENTWOOD, as Engineer of Work for Randy Way Sewer Line Assessment District, City of Brentwood, County of Contra Costa, State of California, prepares this report, as directed by the City Council, pursuant to Section 10204 of the Streets and Highways Code (Municipal Improvement Act of 1913).

The improvements which are the subject of this report are generally described in Exhibit A attached hereto.

Bonds representing unpaid assessments, and bearing interest at a rate not to exceed twelve percent (12%) per annum, shall be issued in the manner provided by the Improvement Bond Act of 1915 (Division 10, Streets and Highways Code), and the last installment of the bonds shall mature not more than twenty-nine (29) years from the second day of September next succeeding twelve (12) months from their date.

This report includes the following attached exhibits:

EXHIBIT A - Description of improvements to be acquired.

EXHIBIT B - Plans and specifications for improvements to be acquired. Plans and specifications are a part of this report but are separately bound.

EXHIBIT C - An estimate of the cost and expense of the improvements and related incidental expenses of the legal proceedings and bond financing.

EXHIBIT D - An assessment roll, showing the amount proposed to be specially assessed against each parcel of real property within this Assessment District and the names and addresses of the owners of real property within this Assessment District, as shown on the last equalized assessment roll for taxes, or as known to the Clerk. Each parcel is described by County Assessor's parcel number or other designation, and each parcel is also assigned a separate "assessment number" for the purposes of this proceeding.

EXHIBIT E - A statement of method by which the above-signed determined the amount proposed to be assessed against each parcel, based on benefits to be derived by each parcel, respectively, from the improvements.

EXHIBIT F - A diagram showing all of the parcels of real property to be assessed within this Assessment District. The diagram is keyed to Exhibit D by assessment number.

EXHIBIT G - Proposed maximum annual assessment per parcel for administrative costs and expenses.

EXHIBIT H - Compliance with Part 7.5 of Division 4 of The California Streets and Highway Code.

EXHIBIT I - Description of right-of-way acquisition as part of the Assessment District.

EXHIBIT J - A diagram showing the parcels and proposed boundary of the Assessment District.

EXHIBIT A

RANDY WAY SEWER LINE ASSESSMENT DISTRICT CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

DESCRIPTION OF IMPROVEMENTS

The City Council intends to order the acquisition of the following improvements under the authority of the Municipal Improvement Act of 1913.

Randy Way Sewer Line

The Randy Way sewer line includes the construction of approximately 2,915 lineal feet of 8" sewer main, manholes, standard residential sewer laterals and related appurtenances, including pavement restoration, to service 34 residential properties. In addition, the Assessment District includes the prepayment of City Wastewater Facilities Fees to fund improvements to the City's wastewater treatment system.

EXHIBIT B

**RANDY WAY SEWER LINE ASSESSMENT DISTRICT
CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

PLANS AND SPECIFICATIONS

Plans and specifications for improvements to be constructed are part of this report, but are separately bound.

EXHIBIT C1.

**RANDY WAY SEWER LINE ASSESSMENT DISTRICT
CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**ENGINEER'S PRELIMINARY COST ESTIMATE
1. RANDY WAY SEWER MAIN**

| Item Description | Quantity | Unit | Unit Price | Amount |
|--|-----------------|-------------|-------------------|----------------------|
| 1. 8" Sewer Main SDR 35 - 8' to 13' deep | 2,915 | LF | \$ 100.00 | \$ 291,500.00 |
| 2. Sewer Manholes | 14 | EA | \$ 4,000.00 | \$ 56,000.00 |
| 3. 4" Residential Sewer Lateral includes wyes & cleanouts | 34 | EA | \$ 2,200.00 | \$ 74,800.00 |
| 4. Saw Cut 5,830 LF main line + 34 X 25' X 2 laterals | 7,530 | LF | \$ 2.75 | \$ 20,707.50 |
| 5. Remove and Replace existing pavement 4"AC on 8"AB 2,915 LF X 5' main line + 34 X 25' X 5' laterals | 18,825 | SF | \$ 3.35 | \$ 63,063.75 |
| 6. Slurry Seal | 99,500 | SF | \$ 0.14 | \$ 13,930.00 |
| 7. Remove and Replace Valley Gutters | 300 | LF | \$ 35.00 | \$ 10,500.00 |
| 8. Remove and Replace Curb and Gutter over laterals - 34 X 8' | 272 | LF | \$ 30.00 | \$ 8,160.00 |
| 9. SUBTOTAL CONSTRUCTION COST | | | | \$ 538,661.25 |
| 10. Traffic Control | | | 2.50% | \$ 13,466.53 |
| 11. Contingency | | | 10% | \$ 53,866.13 |
| 12. Engineering, Plan Check and Construction Management | | | 12% | \$ 64,639.35 |
| 13. TOTAL CONSTRUCTION COST | | | | \$ 670,633.26 |

EXHIBIT C2.

**RANDY WAY SEWER LINE ASSESSMENT DISTRICT
CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

2. PREPAID WASTEWATER FACILITIES FEE

| Item | Description | Quantity | Unit | Unit Price | Amount |
|--|-------------------------------|-----------------|-------------|-------------------|---------------------|
| PREPAID WASTEWATER FACILITIES FEE | | | | | |
| | Single Family Residential Fee | 34 | EA | \$3,972.97 | \$135,080.98 |
| TOTAL FACILITIES FEES | | | | | \$135,080.98 |

EXHIBIT C3.

**RANDY WAY SEWER LINE ASSESSMENT DISTRICT
CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

ASSESSMENT SUMMARY

| | TOTAL COST | COST PER PARCEL | |
|---|---------------------|----------------------------|----|
| | | Number of parcels | 34 |
| ACQUISITION ITEMS | | | |
| 1. Randy Way Sewer Main | \$670,633.26 | \$19,724.51 | |
| SUBTOTAL ACQUISITION ITEMS COSTS | <u>\$670,633.26</u> | <u>\$19,724.51</u> | |
| PREPAY FEES | | | |
| 2. Prepay Wastewater Facilities Fee | \$135,080.98 | \$3,972.97 | |
| SUBTOTAL PREPAY FEES COSTS | <u>\$135,080.98</u> | <u>\$3,972.97</u> | |
| BOND ISSUANCE COSTS | | | |
| 3. Bond Counsel | \$30,000.00 | \$882.35 | |
| 4. Bond Issuance | \$13,979.84 | \$411.17 | |
| 5. Bond Reserve Fund | \$55,920.00 | \$1,644.71 | |
| 6. Registrar and Paying Agent | \$7,745.76 | \$227.82 | |
| 7. Capitalized Interest | \$18,640.00 | \$548.24 | |
| SUBTOTAL BOND ISSUANCE COSTS | <u>\$126,285.60</u> | <u>\$3,714.28</u> | |
| 10. TOTAL ASSESSMENT | \$931,999.84 | \$27,411.76 | |

**RANDY WAY SEWER LINE ASSESSMENT DISTRICT
CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

ASSESSMENT ROLL

| ASSESSMENT NUMBER | ASSESSOR'S PARCEL NUMBER | SITE ADDRESS | 2006-07 Contra Costa County | | MAILING ADDRESS | ASSESSMENT AMOUNT |
|------------------------------------|--------------------------|---------------|-----------------------------|--|--|---------------------|
| | | | Total Assessed Value | | | |
| 1. | 017-090-013 | 930 RANDY WAY | \$733,064 | | same | \$27,411.76 |
| 2. | 017-090-014 | 936 RANDY WAY | \$362,987 | | same | \$27,411.76 |
| 3. | 017-090-015 | 940 RANDY WAY | \$312,493 | | same | \$27,411.76 |
| 4. | 017-090-016 | 938 RANDY WAY | \$767,522 | | same | \$27,411.76 |
| 5. | 017-220-001 | 992 RANDY WAY | \$318,146 | | same | \$27,411.76 |
| 6. | 017-220-002 | 993 RANDY WAY | \$495,253 | | same | \$27,411.76 |
| 7. | 017-220-003 | 987 RANDY WAY | \$194,341 | | same | \$27,411.76 |
| 8. | 017-220-004 | 981 RANDY WAY | \$93,242 | | same | \$27,411.76 |
| 9. | 017-220-005 | 976 RANDY WAY | \$364,345 | | same | \$27,411.76 |
| 10. | 017-220-006 | 969 RANDY WAY | \$526,730 | | same | \$27,411.76 |
| 11. | 017-220-007 | 958 RANDY WAY | \$278,917 | | same | \$27,411.76 |
| 12. | 017-220-008 | 25 LAURIE DR | \$215,546 | | same | \$27,411.76 |
| 13. | 017-221-001 | 996 RANDY WAY | \$504,584 | | same | \$27,411.76 |
| 14. | 017-221-002 | 994 RANDY WAY | \$262,888 | | same | \$27,411.76 |
| 15. | 017-230-001 | 24 LAURIE DR | \$240,488 | | same | \$27,411.76 |
| 16. | 017-230-002 | 20 LAURIE DR | \$500,564 | | same | \$27,411.76 |
| 17. | 017-230-003 | 945 RANDY WAY | \$493,143 | | same | \$27,411.76 |
| 18. | 017-230-004 | 941 RANDY WAY | \$328,545 | | same | \$27,411.76 |
| 19. | 017-230-005 | 933 RANDY WAY | \$284,871 | | same | \$27,411.76 |
| 20. | 017-240-001 | 10 QUAIL CT | \$135,641 | | same | \$27,411.76 |
| 21. | 017-240-002 | 14 QUAIL CT | \$385,822 | | same | \$27,411.76 |
| 22. | 017-240-003 | 18 QUAIL CT | \$601,976 | | same | \$27,411.76 |
| 23. | 017-240-004 | 19 QUAIL CT | \$622,950 | | same | \$27,411.76 |
| 24. | 017-240-005 | 15 QUAIL CT | \$140,944 | | same | \$27,411.76 |
| 25. | 017-240-006 | 11 QUAIL CT | \$376,844 | | same | \$27,411.76 |
| 26. | 017-240-007 | 12 DOVE CT | \$529,909 | | same | \$27,411.76 |
| 27. | 017-240-008 | 16 DOVE CT | \$179,999 | | P.O. Box 1207 Angels Camp, CA 94522 | \$27,411.76 |
| 28. | 017-240-009 | 20 DOVE CT | \$203,098 | | same | \$27,411.76 |
| 29. | 017-240-010 | 18 DOVE CT | \$90,146 | | P.O. Box 108 Brentwood CA 94513 | \$27,411.76 |
| 30. | 017-240-011 | 15 DOVE CT | \$403,646 | | same | \$27,411.76 |
| 31. | 017-240-013 | 958 RANDY WAY | \$403,041 | | same | \$27,411.76 |
| 32. | 017-240-014 | 954 RANDY WAY | \$195,830 | | same | \$27,411.76 |
| 33. | 017-240-015 | 948 RANDY WAY | \$391,761 | | same | \$27,411.76 |
| 34. | 017-240-016 | 950 RANDY WAY | \$286,196 | | same | \$27,411.76 |
| TOTAL VALUE AND ASSESSMENTS | | | \$12,226,443.00 | | | \$931,999.84 |

EXHIBIT E

RANDY WAY SEWER LINE ASSESSMENT DISTRICT CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

METHOD OF ASSESSMENT

RANDY WAY SEWER MAIN AND WASTEWATER FACILITY FEE PREPAYMENT

The sewer main to be constructed contains the capacity and includes lateral extensions for the ability to service all parcels within the Assessment District. Each of the 34 single family residential parcels will have the ability to connect to the main line to be provided with municipal wastewater service, thereby, receiving equal benefit from the improvements to be constructed. Therefore, the total cost associated with sewer line construction is assigned equally to each residential parcel on a per lot basis. The assessment also includes the equivalent of one single family residential wastewater fee prepayment per parcel, additional wastewater connections, if desired by property owner, may require additional facility fees, and are not included as a part of the assessment. The total cost to assessment and for each parcel is shown on Exhibit C3.

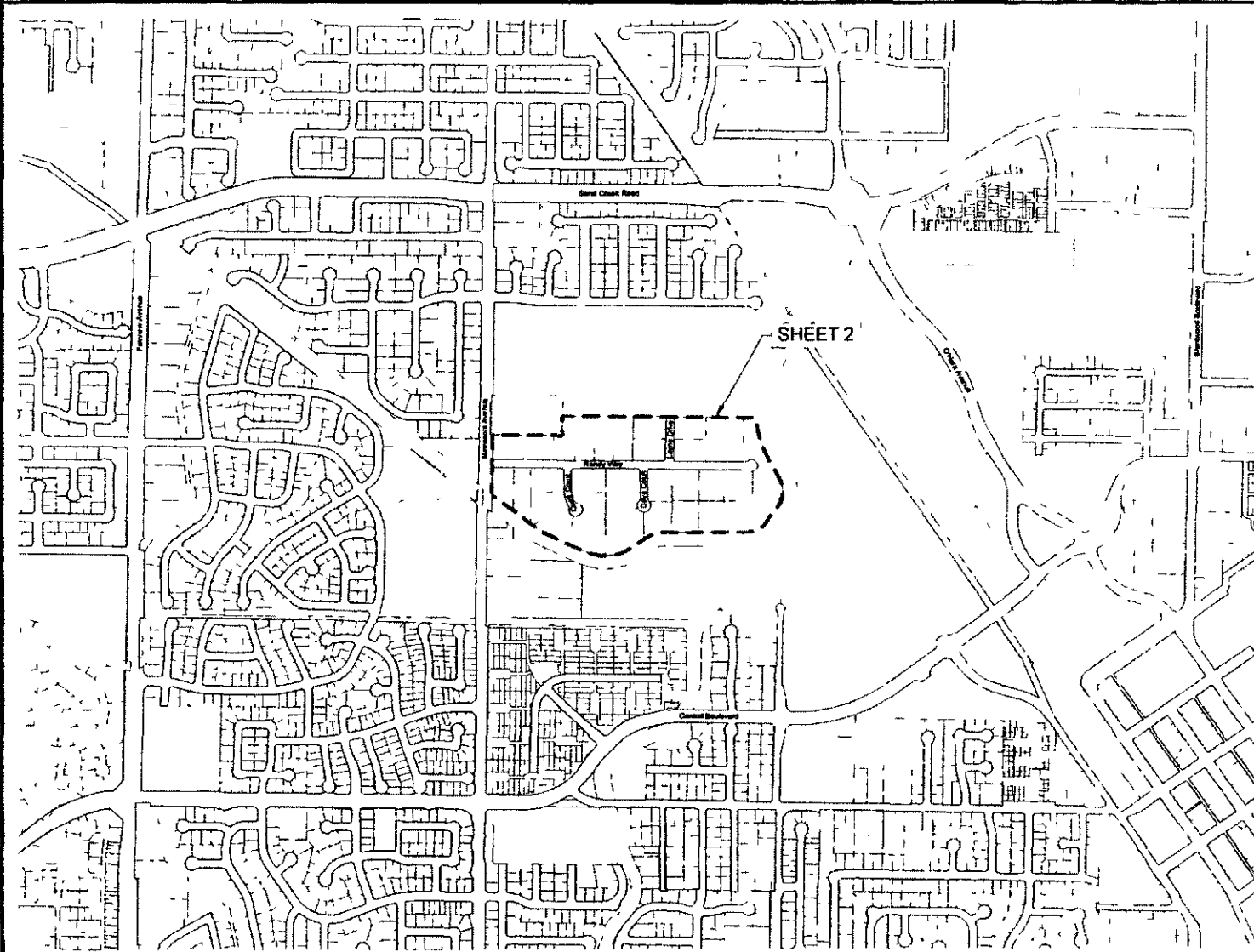
EXHIBIT F

**RANDY WAY SEWER LINE ASSESSMENT DISTRICT
CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

ASSESSMENT DIAGRAM

**ASSESSMENT DIAGRAM FOR RANDY WAY SEWER LINE
ASSESSMENT DISTRICT**

CITY OF BRENTWOOD COUNTY OF CONTRA COSTA
STATE OF CALIFORNIA



FILED THIS 2nd DAY OF MAY 2007 AT THE
HOUR OF 11:08 AM IN BOOKET OF MAPS OF
ASSESSMENT AND COMMUNITY FACILITIES
DISTRICTS AT PAGE 8 IN THE OFFICE OF THE
COUNTY RECORDER CONTRA COSTA COUNTY
STATE OF CALIFORNIA

07 12953

Stephen Weiss by K. Mandel
DEPUTY COUNTY RECORDER *Deputy*
CONTRA COSTA COUNTY
CALIFORNIA

RECORDED IN THE OFFICE OF THE CITY ENGINEER
OF THE CITY OF BRENTWOOD
THIS 25th DAY OF April 2007

[Signature]
CITY ENGINEER
CITY OF BRENTWOOD
CONTRA COSTA COUNTY

AN ASSESSMENT WAS LEVIED BY THE CITY
COUNCIL ON THE LOTS, PIECES AND PARCELS OF
LAND SHOWN ON THIS ASSESSMENT DIAGRAM.
SAID ASSESSMENT WAS LEVIED ON THE 24th DAY
OF April 2007. REFERENCE IS MADE TO
THE ASSESSMENT ROLL RECORDED IN THE OFFICE
OF THE CITY ENGINEER FOR THE EXACT AMOUNT
OF EACH ASSESSMENT LEVIED AGAINST THE
PARCELS SHOWN ON THIS ASSESSMENT DIAGRAM.

Margaret Wombolt
CITY CLERK
CITY OF BRENTWOOD
CONTRA COSTA COUNTY

FILED IN THE OFFICE OF THE CITY CLERK OF THE
CITY OF BRENTWOOD THIS 24th DAY OF April
2007

Margaret Wombolt
CITY CLERK
CITY OF BRENTWOOD
CONTRA COSTA COUNTY



Scale 1" = 400'

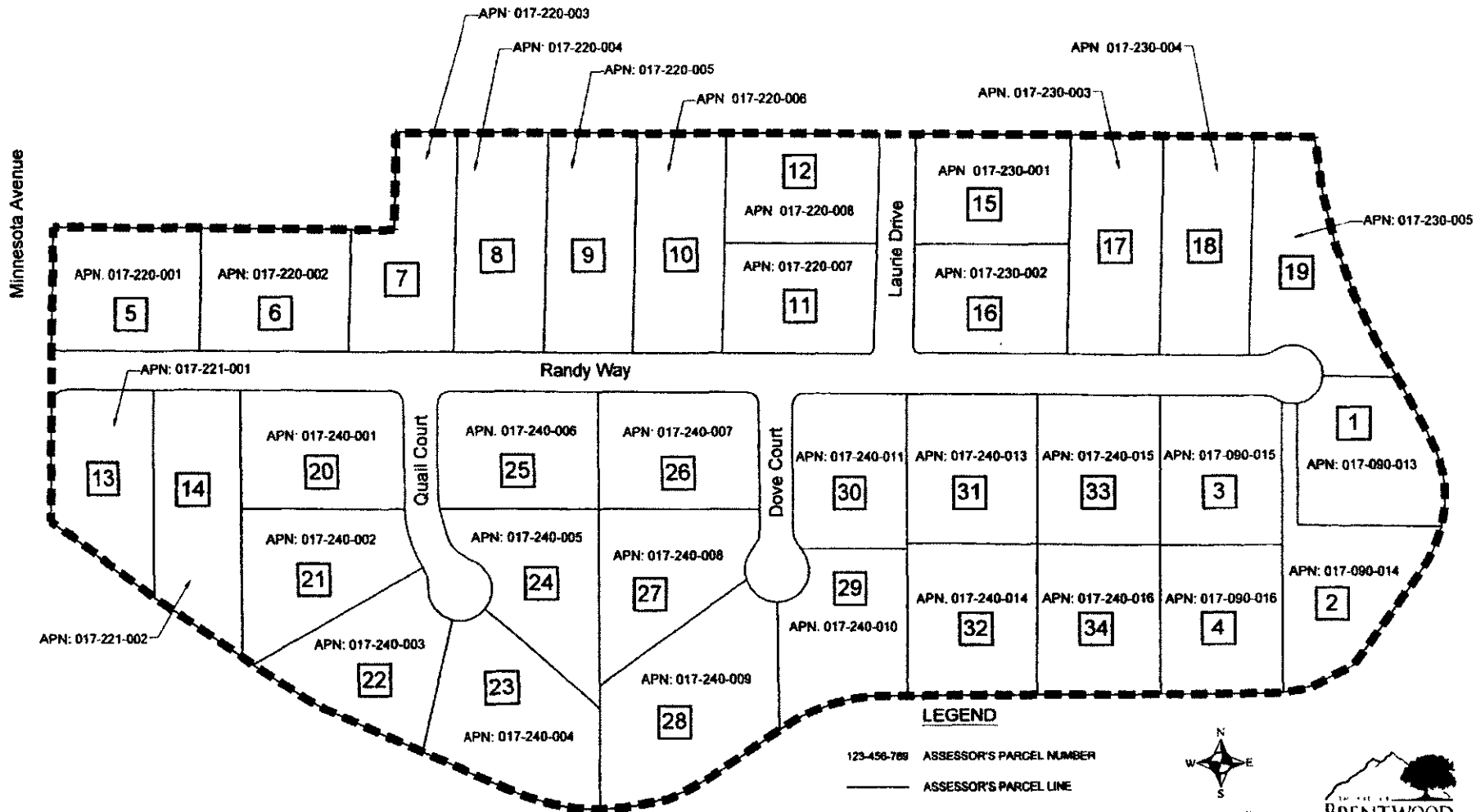


DATE 2/27/07

SHEET 1 OF 2

ASSESSMENT DIAGRAM FOR RANDY WAY SEWER LINE ASSESSMENT DISTRICT

CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA
STATE OF CALIFORNIA



LEGEND

- 123-456-789 ASSESSOR'S PARCEL NUMBER
- ASSESSOR'S PARCEL LINE
- ASSESSMENT DISTRICT BOUNDARY
- ASSESSMENT NUMBER



THE BOUNDARY OF THE PROPOSED ASSESSMENT DISTRICT COINCIDES WITH THE ASSESSOR'S PARCELS WITHIN THE BOUNDARY SHOWN ON THIS MAP. FOR PARTICULARS OF LINES AND DIMENSIONS OF ASSESSOR'S PARCELS, REFERENCE IS MADE TO THE MAPS OF THE CONTRA COSTA COUNTY ASSESSOR.

EXHIBIT G

RANDY WAY SEWER LINE ASSESSMENT DISTRICT CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

PROPOSED MAXIMUM ANNUAL ASSESSMENT PER PARCEL FOR ADMINISTRATIVE COSTS AND EXPENSES

In the event that the amount provided for in these proceedings is insufficient to pay various costs and expenses incurred from time to time by the City and not otherwise reimbursed to the City which result from the administration and collection of assessments or from the administration or registration of the improvement bonds and the various funds and accounts pertaining thereto, this City Council intends, pursuant to Section 8682.1 and subparagraph (f) of Section 10204 of the California Streets and Highways Code, to provide for an annual assessment upon each of the parcels of land in the proposed Assessment District to provide therefore. The maximum annual assessment upon each of the parcels of land within the Assessment District shall be five percent (5%) of the annual installment of assessment to be levied upon such parcels in these proceedings.

EXHIBIT H

RANDY WAY SEWER LINE ASSESSMENT DISTRICT CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

COMPLIANCE WITH PART 7.5 OF DIVISION 4 OF THE CALIFORNIA STREETS AND HIGHWAY CODE

Pursuant to Sections 2960, 2961 and 10200 of the Streets and Highways Code, the City Council of the City of Brentwood intends to comply with the requirements of the Special Assessment Investigation, Limitations and Majority Protest Act of 1931 by proceeding under Part 7.5 of Division 4 of the California Streets and Highways Code.

The total value of the parcels of land and improvements which are proposed to be assessed, will be based upon the assessed value as determined by the Contra Costa County Assessor's Office. A minimum 2:1 value-to-lien ratio must be established to support the bond issue.

The total principal amount of unpaid assessments already levied against all the property proposed to be assessed is \$0.00.

The total estimated amount of assessment proposed to be levied in these proceedings is: \$931,999.84

Therefore, the total amount of the principal sum of all unpaid special assessments levied against the parcels proposed to be assessed, plus the principal amount of special assessments proposed to be levied in these proceedings, does not exceed one-half of the total value of the parcels proposed to be assessed.

EXHIBIT I

**RANDY WAY SEWER LINE ASSESSMENT DISTRICT
CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

DESCRIPTION OF RIGHT-OF-WAY ACQUISITION

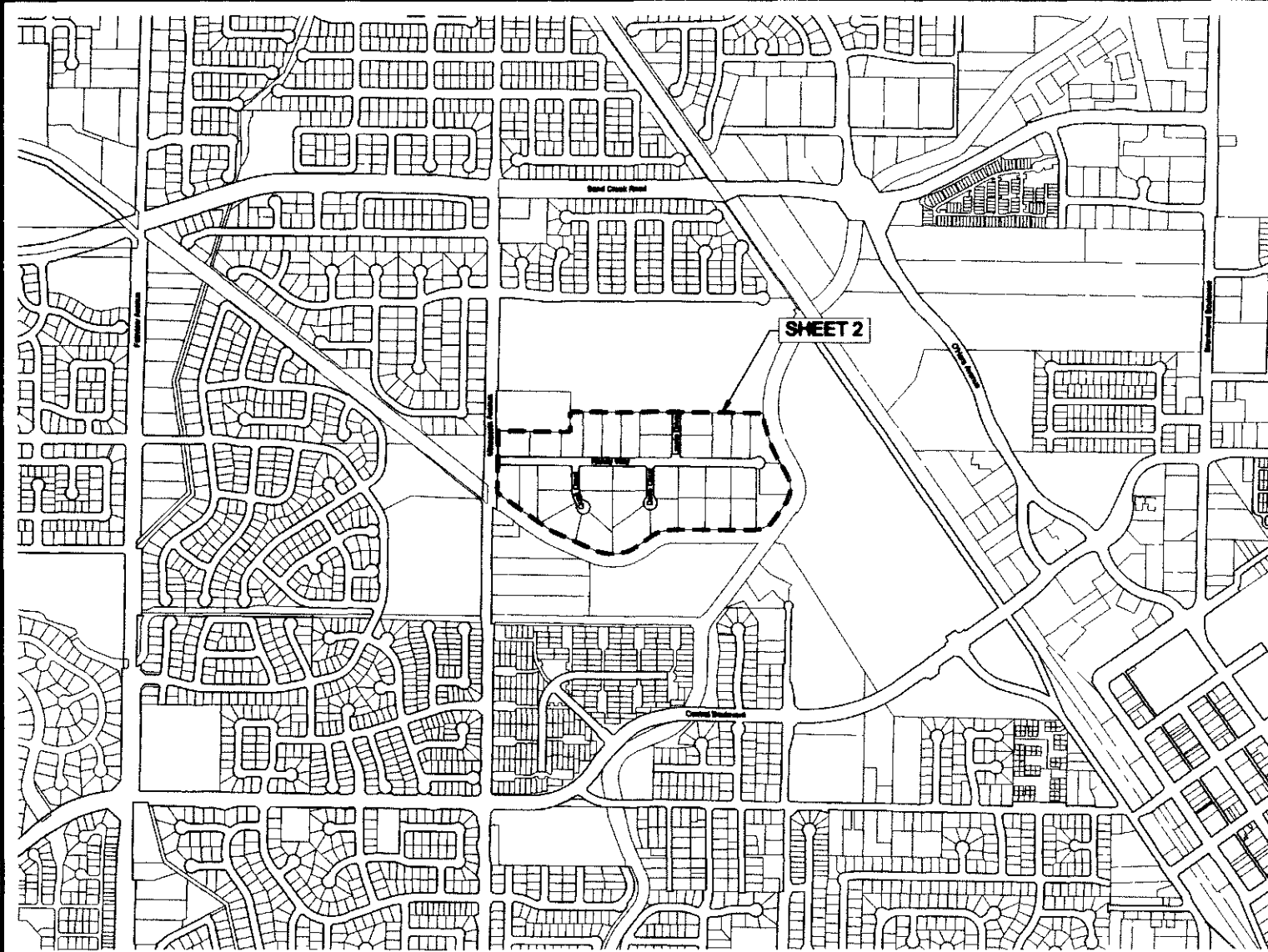
Additional right-of-way acquisition will not be required, all improvements are proposed to be constructed within existing public right-of-way.

EXHIBIT J

**RANDY WAY SEWER LINE ASSESSMENT DISTRICT
CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA
BOUNDARY MAP**

**PROPOSED BOUNDARY OF RANDY WAY SEWER LINE
ASSESSMENT DISTRICT**

CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA
STATE OF CALIFORNIA



FILED THIS 5th DAY OF March, 20 07, AT THE
HOUR OF 10:59 A.M. IN BOOK 27 OF MAPS OF
ASSESSMENT AND COMMUNITY FACILITIES
DISTRICTS AT PAGE 10, IN THE OFFICE OF THE
COUNTY RECORDER, CONTRA COSTA COUNTY,
STATE OF CALIFORNIA Series 07-64090

E. Heston
DEPUTY COUNTY RECORDER
CONTRA COSTA COUNTY
CALIFORNIA

FILED IN THE OFFICE OF THE CITY CLERK OF
THE CITY OF BRENTWOOD THIS 27th DAY OF
February, 20 07

Margaret Woodley
CITY CLERK
CITY OF BRENTWOOD
CONTRA COSTA COUNTY

I HEREBY CERTIFY THAT THE MAP SHOWING THE
PROPOSED BOUNDARY OF RANDY WAY SEWER
LINE ASSESSMENT DISTRICT, CITY OF BRENTWOOD,
COUNTY OF CONTRA COSTA, STATE OF
CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL
OF THE CITY OF BRENTWOOD, AT A REGULAR
MEETING THEREOF, HELD ON THE 27th DAY OF
February, 20 07, BY ITS RESOLUTION NO 2007-35

Margaret Woodley
CITY CLERK
CITY OF BRENTWOOD
CONTRA COSTA COUNTY

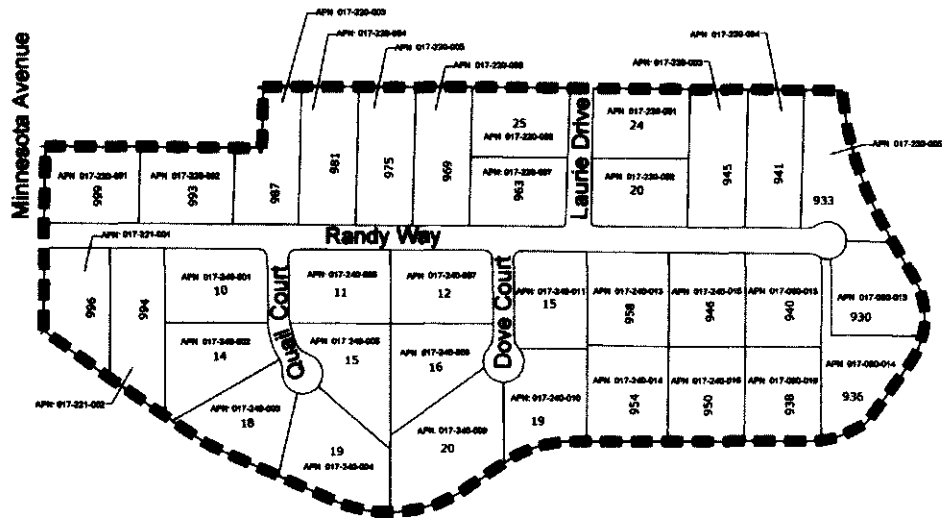


DATE 2/27/07 SHEET 1 OF 2

3/8/07 @ 10:59 A.M. AD 07-RAN 81/20

PROPOSED BOUNDARY OF RANDY WAY SEWER LINE ASSESSMENT DISTRICT

CITY OF BRENTWOOD, COUNTY OF CONTRA COSTA
STATE OF CALIFORNIA



LEGEND

- 123-456-789 ASSESSOR'S PARCEL NUMBER
- ASSESSOR'S PARCEL LINE
- ▬▬▬▬ ASSESSMENT DISTRICT BOUNDARY



Scale 1" = 200'



THE BOUNDARY OF THE PROPOSED ASSESSMENT DISTRICT COINCIDES WITH THE ASSESSOR'S PARCELS WITHIN THE BOUNDARY SHOWN ON THIS MAP. FOR PARTICULARS OF LINES AND DIMENSIONS OF ASSESSOR'S PARCELS REFERENCE IS MADE TO THE MAPS OF THE CONTRA COSTA COUNTY ASSESSOR.

DATE 2/27/07 SHEET 2 OF 2

AD 07-RAN

81/21

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APPENDIX D

RANDY WAY SEWER LINE ASSESSMENT DISTRICT ASSESSMENT ROLL AND VALUE-TO-LIEN DATA

| Assessment Number | Assessor's Parcel Number | Amount of Unpaid Assessment | Assessed Value | | | Value to Lien |
|-------------------|--------------------------|-----------------------------|-----------------------|-----------------------|------------------------|---------------|
| | | | Structure | Land | Total | |
| 1 | 017-090-013 | \$27,411.76 | \$577,604.00 | \$156,060.00 | \$733,664.00 | 26.765 |
| 2 | 017-090-014 | \$27,411.76 | \$204,594.00 | \$158,393.00 | \$362,987.00 | 13.242 |
| 3 | 017-090-015 | \$27,411.76 | \$168,596.00 | \$143,897.00 | \$312,493.00 | 11.400 |
| 4 | 017-090-016 | \$27,411.76 | \$497,268.00 | \$270,254.00 | \$767,522.00 | 28.000 |
| 5 | 017-220-001 | \$27,411.76 | \$239,259.00 | \$79,887.00 | \$319,146.00 | 11.643 |
| 6 | 017-220-002 | \$27,411.76 | \$292,563.00 | \$202,690.00 | \$495,253.00 | 18.067 |
| 7 | 017-220-003 | \$27,411.76 | \$171,542.00 | \$22,799.00 | \$194,341.00 | 7.090 |
| 8 | 017-220-004 | \$18,571.98 | \$75,152.00 | \$18,090.00 | \$93,242.00 | 5.021 |
| 9 | 017-220-005 | \$27,411.76 | \$306,127.00 | \$38,418.00 | \$344,545.00 | 13.299 |
| 10 | 017-220-006 | \$27,411.76 | \$328,014.00 | \$198,716.00 | \$526,730.00 | 19.215 |
| 11 | 017-220-007 | \$27,411.76 | \$181,082.00 | \$95,835.00 | \$276,917.00 | 10.102 |
| 12 | 017-220-008 | \$27,411.76 | \$124,965.00 | \$90,581.00 | \$215,546.00 | 7.863 |
| 13 | 017-221-001 | \$27,411.76 | \$244,494.00 | \$260,100.00 | \$504,594.00 | 18.408 |
| 14 | 017-221-002 | \$27,411.76 | \$174,964.00 | \$87,924.00 | \$262,888.00 | 9.590 |
| 15 | 017-230-001 | \$27,411.76 | \$197,406.00 | \$43,082.00 | \$240,488.00 | 8.773 |
| 16 | 017-230-002 | \$27,411.76 | \$386,133.00 | \$114,431.00 | \$500,564.00 | 18.261 |
| 17 | 017-230-003 | \$27,411.76 | \$412,732.00 | \$81,412.00 | \$494,144.00 | 18.027 |
| 18 | 017-230-004 | \$27,411.76 | \$246,758.00 | \$81,787.00 | \$328,545.00 | 11.986 |
| 19 | 017-230-005 | \$0.00 | \$270,114.00 | \$14,757.00 | \$284,871.00 | - |
| 20 | 017-240-001 | \$0.00 | \$103,762.00 | \$31,879.00 | \$135,641.00 | - |
| 21 | 017-240-002 | \$27,411.76 | \$292,199.00 | \$93,723.00 | \$385,922.00 | 14.079 |
| 22 | 017-240-003 | \$27,411.76 | \$469,500.00 | \$132,476.00 | \$601,976.00 | 21.960 |
| 23 | 017-240-004 | \$27,411.76 | \$457,595.00 | \$165,395.00 | \$622,990.00 | 22.727 |
| 24 | 017-240-005 | \$27,411.76 | \$109,065.00 | \$31,879.00 | \$140,944.00 | 5.142 |
| 25 | 017-240-006 | \$0.00 | \$297,831.00 | \$79,013.00 | \$376,844.00 | - |
| 26 | 017-240-007 | \$27,411.76 | \$397,433.00 | \$132,476.00 | \$529,909.00 | 19.331 |
| 27 | 017-240-008 | \$27,411.76 | \$98,761.00 | \$81,238.00 | \$179,999.00 | 6.566 |
| 28 | 017-240-009 | \$27,411.76 | \$134,864.00 | \$68,234.00 | \$203,098.00 | 7.409 |
| 29 | 017-240-010 | \$27,411.76 | \$64,301.00 | \$25,845.00 | \$90,146.00 | 3.289 |
| 30 | 017-240-011 | \$27,411.76 | \$335,744.00 | \$67,902.00 | \$403,646.00 | 14.725 |
| 31 | 017-240-013 | \$27,411.76 | \$334,807.00 | \$68,234.00 | \$403,041.00 | 14.703 |
| 32 | 017-240-014 | \$27,411.76 | \$141,405.00 | \$54,425.00 | \$195,830.00 | 7.144 |
| 33 | 017-240-015 | \$27,411.76 | \$300,099.00 | \$91,772.00 | \$391,871.00 | 14.292 |
| 34 | 017-240-016 | \$27,411.76 | \$204,455.00 | \$81,741.00 | \$286,196.00 | - |
| TOTAL | | \$840,924.92 | \$8,841,098.00 | \$3,385,345.00 | \$12,226,443.00 | 14.539 |
| AVERAGE | | | | | \$359,601.26 | |

Source: City of Brentwood and Capital Markets Group

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Brentwood (the "City") in connection with the issuance by the City of \$840,000 in aggregate principal amount of the City of Brentwood Limited Obligation Improvement Bonds, Randy Way Sewer Line Assessment District (the "Bonds") for Randy Way Sewer Line Assessment District (the "Assessment District"). The Bonds are being issued pursuant to a resolution authorizing issuance of the Bonds, being Resolution No. 2007-174 (the "Resolution"), adopted by the City Council of the City on July 24, 2007. The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), as amended.

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

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

"Beneficial Owner" shall mean any person who 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).

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City and that has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean the 12-month period beginning on July 1 and ending on the next following June 30, unless and until changed by the City.

"Holder" shall mean either the registered owner of any Bond, or, if the Bonds are registered in the name of DTC or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The current National Repositories are listed on the Securities and Exchange Commission website at <http://www.sec.gov/info/municipal/nrmsir.htm>.

“Official Statement” shall mean the final Official Statement, dated August 7, 2007, pertaining to the Bonds.

“Participating Underwriter” shall mean RBC Capital Markets, and any other 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 Repository” shall mean any public or private repository or entity designated by the State of California 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 Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the City’s Fiscal Year (*i.e.*, currently not later than April 1 of each year), commencing with the report for the 2006-07 Fiscal Year, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. The Annual Report may be filed using the SEC-Approved Electronic Transmission Facilities provided by the Texas Municipal Advisory Council at website <http://www.disclosureusa.org>. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date required in subsection (a), the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to each Repository an Annual Report by the date required in subsection (a), the City shall send to each Repository a notice in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year, prior to the date for providing the Annual Report, the name and address of each Repository, and file the Annual Report with each Repository, and

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

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

(a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Notwithstanding the foregoing, each Annual Report or other filing containing the City's financial statements may include the following or other similar statement:

THE FOLLOWING FINANCIAL STATEMENTS ARE PROVIDED SOLELY TO COMPLY WITH THE SECURITIES AND EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE CITY OF BRENTWOOD (OTHER THAN THE ASSESSMENTS LEVIED IN THE ASSESSMENT DISTRICT) 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.

(b) The following information with respect to the City for the Fiscal Year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for the prior Fiscal Year described in subsection (a) above:

(i) The principal amount of Bonds outstanding, including principal amounts and years of maturity of Bonds, if any, called for redemption in advance of maturity.

(ii) The balances as of the end of such Fiscal Year in each of the following funds established pursuant to the Resolution: (A) the Improvement Fund; (B) the Redemption Fund; and (C) the Reserve Fund.

(iii) Identification of each parcel for which any installment of the unpaid assessment is delinquent, together with the following information respecting each such parcel: (A) the amount delinquent (exclusive of late charges and monthly penalties for reinstatement); (B) the date (December 10 or April 10) of the first delinquency; (C) in the event a foreclosure complaint has been filed respecting such delinquent parcel and such complaint has not yet been dismissed, the date on which the complaint was filed in the Contra Costa County Superior Court; and (D) in the event a foreclosure sale has occurred respecting such delinquent parcel, a summary of the results of such foreclosure sale.

(iv) A current statement of the status of completion or progress toward completion of the public improvements described in the Official Statement under the subheading

“THE ASSESSMENT DISTRICT AND THE IMPROVEMENTS – Description of the Assessment District and the Improvements.”

(v) A current statement of the land-secured public financing information summarized in the Official Statement under the subheading “THE BONDS – Priority of Lien.”

(vi) A current statement of the parcel information set forth in the Assessment Roll in the Engineer’s Report, for both existing and future parcels for which a subdivision map has not been recorded.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events (each, a “Listed Event”) with respect to the Bonds, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) modifications to rights of Bond Holders;
- (iv) optional, contingent, or unscheduled Bond calls;
- (v) defeasances;
- (vi) rating changes;
- (vii) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (ix) unscheduled draws on credit enhancements reflecting financial difficulties;

- (x) substitution of credit or liquidity providers, or their failure to perform; or
- (xi) release, substitution, or sale of property securing repayment of the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the City shall promptly file a notice of such occurrence with the Repositories. Such notice may be filed using the SEC-Approved Electronic Transmission Facilities provided by the Texas Municipal Advisory Council at website <http://www.disclosureusa.org>. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 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 Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

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

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant

hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, 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. If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents, harmless against any losses, expenses, and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2007

CITY OF BRENTWOOD

By: _____
Director of Finance and Information
Systems

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Brentwood, California

Name of Bond Issue: City of Brentwood Limited Obligation Improvement Bonds,
Randy Way Sewer Line Assessment District

Date of Issuance: _____, 2007

NOTICE IS HEREBY GIVEN that the City of Brentwood, California (the "City"), has not provided an Annual Report with respect to the above-named Bonds as required Section 4(a) of the Continuing Disclosure Certificate executed by the City on _____, 2007. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF BRENTWOOD

By: _____
Director of Finance and Information
Systems

APPENDIX F

THE BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing

Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

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