

In the opinion of Meyers, Nave, Riback, Silver & Wilson, a Professional Law Corporation, Special Counsel to the Town, 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 in the documents pertaining to the 2010 Certificates of Participation (the "Certificates") and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest with respect to the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income tax. In the further opinion of Special Counsel, interest with respect to the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest with respect to the Certificates is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates. See "TAX EXEMPTION" herein.

State of California

County of Contra Costa



\$1,525,000
TOWN OF MORAGA
2010 Certificates of Participation
(Town Hall Improvement Project)

Dated: Date of Delivery**Due: October 1, as shown below**

The Certificates are being executed and delivered in fully registered form, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Individual purchases of interests in the Certificates may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Principal and interest are payable directly to DTC by U.S. Bank, National Association, as trustee (the "Trustee"). Principal is payable on the dates set forth below. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2010. Upon receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC Participants for subsequent disbursement to purchasers of the Certificates, as described herein.

The proceeds of the Certificates are to be applied to (i) fund a portion of the cost and expense of a project of the Town (the "Project") consisting of (a) acquisition of certain improved real property for use and occupancy by the Town and (b) improvements for the seismic upgrading and remodeling of the building currently occupied by the Town as its Town Hall (the "Site"), (ii) fund the Reserve Account and (iii) finance certain costs related to the execution and delivery of the Certificates. The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of February 1, 2010 (the "Trust Agreement"), by and among the Town, the ABAG Finance Authority for Nonprofit Corporations (the "Authority") and the Trustee. Pursuant to a Facility Lease, dated as of February 1, 2010 (the "Facility Lease"), by and between the Town and the Authority, the Town will lease the Leased Facilities (comprised of the Site, including the building and related improvements presently situated on and a part of the Site, as improved by the seismic upgrading and remodeling improvements included in the Project) from the Authority. See Appendix A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Certificates evidence the principal and interest components of the Base Rental Payments payable by the Town pursuant to the Facility Lease. The Town has covenanted in the Facility Lease to take such action as may be necessary to include and maintain all Base Rental Payments and certain additional rental payments in its annual budget, and to make necessary annual appropriations for such payments. The Town's obligation to make Base Rental Payments is subject to abatement in the event of damage to, destruction or condemnation of, or a title defect with respect to, the Leased Facilities. See "RISK FACTORS—Abatement."

The Certificates are subject to prepayment prior to their respective Certificate Payment Dates, as described herein. See "THE CERTIFICATES—Prepayment" herein.

The obligation of the Town to make Base Rental Payments under the Facility Lease does not constitute an obligation to levy or a pledge of any form of taxation. Neither the Certificates nor the obligation of the Town to make Base Rental Payments or additional rental payments, as provided by the Facility Lease, constitutes an indebtedness of the Town, the State of California (the "State") or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Town shall be obligated to make Base Rental Payments subject to the terms of the Facility Lease, and neither the Town nor any of its officers shall incur any liability or any other obligation with respect to the execution and delivery of the Certificates.

The purchase of the Certificates is subject to certain risks which should be considered in addition to other matters set forth herein before making a decision to purchase the Certificates. See "RISK FACTORS" herein.

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

The Certificates are offered, when, as and if executed, delivered and accepted by the underwriter named below (the "Underwriter"), subject to approval as to their validity and validity of the Facility Lease by Meyers, Nave, Riback, Silver & Wilson, a Professional Law Corporation, Oakland, California, Special Counsel to the Town and subject to certain other conditions. Meyers, Nave, Riback, Silver & Wilson, a Professional Law Corporation, also served as Disclosure Counsel to the Town with respect to the Certificates. Certain legal matters will be passed upon for the Town by McDonough, Holland & Allen as Town Attorney to the Town. It is anticipated that the Certificates in book-entry form will be available for delivery through DTC in New York, New York, on or about March 10, 2010.

SEE MATURITY SCHEDULE ON INSIDE COVER

STONE & YOUNGBERG

MATURITY SCHEDULE

\$1,525,000
TOWN OF MORAGA
2010 Certificates of Participation
(Town Hall Improvement Project)

Maturity	Principal Amount	Interest Rate	Yield	Price	CUSIP Number ⁽¹⁾ (616147)
10/01/2010	\$ 30,000	3.000%	0.500%	101.391	AA9
10/01/2011	55,000	3.000%	0.800%	103.399	AB7
10/01/2012	60,000	3.000%	1.170%	104.598	AC5
10/01/2013	60,000	3.000%	1.410%	105.498	AD3
10/01/2014	60,000	3.000%	1.700%	105.678	AE1
10/01/2015	65,000	3.000%	2.070%	104.858	AF8
10/01/2016	65,000	4.000%	2.500%	109.020	AG6
10/01/2017	70,000	4.000%	2.850%	107.768	AH4
10/01/2018	70,000	4.000%	3.150%	106.331	AJ0
10/01/2019	75,000	4.000%	3.400%	104.421C	AK7
10/01/2020	75,000	4.000%	3.600%	102.921C	AL5
10/01/2021	80,000	4.000%	3.750%	101.813C	AM3
10/01/2022	80,000	4.000%	3.900%	100.719C	AN1
10/01/2023	85,000	4.000%	4.050%	99.480	AP6
10/01/2024	90,000	4.125%	4.200%	99.187	AQ4
10/01/2025	95,000	4.250%	4.350%	98.875	AR2
10/01/2026	95,000	4.375%	4.460%	99.009	AS0
10/01/2027	100,000	4.500%	4.590%	98.920	AT8
10/01/2028	105,000	4.500%	4.680%	97.781	AU5
10/01/2029	110,000	4.625%	4.770%	98.166	AV3

⁽¹⁾ Copyright 2008, American Bankers Association. CUSIP data provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. The Town assumes no responsibility for the accuracy of such numbers.

Note: "C" denotes priced to the call date, October 1, 2018, at par.

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

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

Certain of the information set forth herein has been obtained from sources which the Town believes to be reliable, but such information is not guaranteed as to accuracy or completeness.

All summaries of the Trust Agreement or other documents are made subject to the provisions thereof and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Town for further information in connection therewith. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement includes forward-looking statements that are based on the current expectations and projections of the Town about future events. These forward-looking statements are subject to risks and uncertainties, including risks and uncertainties outside the control of the Town. Such statements generally are identifiable by the terminology used, such as “project,” “plan,” “expect,” “anticipate,” “estimate,” “budget,” “believe” or other similar words.

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 a 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

STONE & YOUNGBERG LLC

TOWN OF MORAGA
(County of Contra Costa, California)

MEMBERS OF THE TOWN COUNCIL

Kenneth Chew, *Mayor*

Karen Mendonca, *Vice Mayor*

Howard Harpham, *Councilmember*

Michael Metcalf, *Councilmember*

Dave Trotter, *Councilmember*

TOWN STAFF

Michael Segrest, *Town Manager*

Joan Streit, *Administrative Services Director*

Marty C. McInturf, *Town Clerk*

Jill Mercurio, *Director of Public Works*

McDonough, Holland & Allen, *Town Attorney*

**SPECIAL COUNSEL and
DISCLOSURE COUNSEL**

Meyers, Nave, Riback, Silver & Wilson,
a Professional Law Corporation
Oakland, California

TRUSTEE

U.S. Bank, National Association
San Francisco, California

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OFFICIAL STATEMENT
\$1,525,000
TOWN OF MORAGA
2010 Certificates of Participation
(Town Hall Improvement Project)

INTRODUCTION

This Official Statement provides certain information with respect to the sale of \$1,525,000 aggregate principal amount of the Town of Moraga 2010 Certificates of Participation (Town Hall Improvement Project) (the "Certificates").

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of February 1, 2010 (the "Trust Agreement"), by and among the Town of Moraga (the "Town"), the ABAG Finance Authority for Nonprofit Corporations (the "Authority") and U.S. Bank, National Association as trustee (the "Trustee"). The Certificates are being executed by the Trustee at the request of the Town under the Trust Agreement in accordance with the Constitution and the laws of the State of California (the "State").

Purpose of Issue

The Certificates are being sold, executed and delivered for the purposes of (a) financing a portion of the cost of a program consisting of two major components, namely (i) acquiring improved real property located at 331 Rheem Boulevard in the Town, to be occupied and used by the Town for its public purposes, and (ii) the seismic upgrading and remodeling of the building presently owned and occupied by the Town as its Town Hall, located at 329 Rheem Boulevard in the Town (the "Town Hall Improvement Project"); (b) funding a Reserve Account; and (c) paying certain costs of execution and delivery of the Certificates, all as more fully described herein. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE FINANCING PLAN." The Town Hall Improvement Project is being constructed on the improved real property which comprises the Town Hall property at 329 Rheem Boulevard (the "Site"). The Town has leased the Site to the Authority pursuant to a site lease, dated February 1, 2010 (the "Site Lease") between the Town and the Authority. Pursuant to a facility lease, dated as of February 1, 2010 (the "Facility Lease"), between the Town and the Authority, the Town has agreed to provide for the design, construction and installation of the Town Hall Improvement Project (the land, the building and appurtenant improvements situated on the real property at 329 Rheem Boulevard, as improved by the Town Hall Improvement Project, constitute the "Leased Facilities"). See "THE LEASED FACILITIES."

The Authority

The ABAG Finance Authority for Nonprofit Corporations is a joint exercise of powers authority duly organized and existing under the laws of the State. The Authority was formed pursuant to the terms of that certain Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992 and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code that was created by the Association of Bay Area Governments ("ABAG") to assist nonprofit corporations and other entities in obtaining financing for projects that serve the public interest that are located within the several jurisdictions of Authority members.

ABAG is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to an agreement which became effective January 24, 1961, by and among various cities and counties in the San Francisco Bay Area. ABAG is operated by said cities and counties and established to protect local control, plan for future and promote cooperation on area-wide issues. ABAG had been designated by the State and federal government as the official comprehensive planning agency for the San Francisco Bay Area. Neither the Certificates nor the obligations of the Authority constitute a debt or obligation of any kind of ABAG or of any of its members other than the Town.

The Town

The Town encompasses an area of approximately 9.5 square miles and has a population of approximately 16,000. The Town is located in Contra Costa County, approximately 22 miles east of San Francisco. The Town is predominately residential in nature with clusters of community-serving retail and commercial spaces. Residents enjoy award-winning schools and access to diverse employment options throughout the San Francisco Bay Area. The land use within the Town is a mixture of residential, retail, commercial, and services-oriented offices. The Town was incorporated as a general law city on November 13, 1974, and is governed by a five person Town Council and a Council-Manager form of government. See Appendix B — “GENERAL INFORMATION REGARDING THE TOWN OF MORAGA AND ITS REGION.”

Security for the Certificates

The Certificates are payable from Revenues, which consist primarily of base rental payments (“Base Rental Payments”) to be made by the Town under the Facility Lease, and amounts in the funds and accounts established by the Trust Agreement (except amounts deposited in the Rebate Fund), including all investment earnings on any moneys held in such funds or accounts. See “SECURITY FOR THE CERTIFICATES” herein for additional information. Pursuant to the Trust Agreement, the Authority has assigned certain of its rights, title and interest in and to the Facility Lease and the Site Lease, by and between the Town and the Authority, including its right to receive and collect the Base Rental Payments and to enforce payment of amounts due under the Facility Lease upon default of the Town, to the Trustee for the benefit of owners of the Certificates.

Under the Facility Lease, the Town is required to pay to the Trustee specified Base Rental Payments. In addition, the Town is required to make Additional Payments for the use and occupancy of the Leased Facilities. The Base Rental Payments are pledged towards the payment of principal of and interest with respect to the Certificates and are calculated to be sufficient to permit the Trustee to pay all debt service with respect to the Certificates when due. See “SECURITY FOR THE CERTIFICATES” herein. Base Rental Payments are subject to abatement during any period in which, by reason of any damage or destruction (other than by condemnation) there is substantial interference with the use and occupancy of the Leased Facilities or a portion thereof by the Town. To the extent that the total fair rental value of the remaining portion of the Leased Facilities is greater than or equal to the rental payments payable under the Facility Lease, the Base Rental Payments will not be abated.

Under the Facility Lease, the Town is required to maintain rental interruption insurance covering at least two years of Base Rental Payments and insurance against damage and destruction to the Leased Facilities. Any net insurance proceeds and condemnation awards will be applied to repair or replace the Leased Facilities or to prepay all or a portion of the Certificates. See “THE CERTIFICATES — Prepayment” and Appendix A — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.

The Town has covenanted in the Facility Lease to take such action as may be necessary to include and maintain all Base Rental Payments due under the Facility Lease in its annual budget, and to make the necessary annual appropriations for all such payments, so long as the Leased Facilities are available for the Town’s use.

The obligation of the Town to make Base Rental Payments under the Facility Lease does not constitute an obligation to levy or a pledge of any form of taxation. Neither the Certificates nor the obligation of the Town to make Base Rental Payments or additional rental payments, as provided by the Facility Lease, constitutes an indebtedness of the Town, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Town shall be obligated to make Base Rental Payments subject to the terms of the Facility Lease, and neither the Town nor any of its officers shall incur any liability or any other obligation with respect to the execution and delivery of the Certificates.

Reference to Underlying Documents

Brief descriptions of the Certificates, the Trust Agreement, the Facility Lease, the Site Lease, the Authority and the Town, as well as the audited financial statements of the Town for the fiscal year ended June 30, 2009, are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or

definitive. All references herein to the Trust Agreement, the Facility Lease, the Site Lease, the Certificates and the Constitution and laws of the State are qualified in their entirety by references to such documents, the Constitution and laws and proceedings, and with respect to the Certificates, by reference to the Trust Agreement. Capitalized terms not otherwise defined herein have the meaning set forth in the Trust Agreement.

THE FINANCING PLAN

The Town intends to use the proceeds of sale of the Certificates for (a) the acquisition of the improved real property located at 331 Rheem Boulevard in Moraga (the “Corporation Yard Acquisition Project”), and (b) the Town Hall Improvement Project, which consists of the seismic upgrade and remodel of a portion of the interior space of the building currently owned and occupied by the Town as its Town Hall.

Corporation Yard Acquisition Project

The Corporation Yard Acquisition Project will be used and occupied by the Town for public purposes, including but not limited to use as a corporation yard and office space for the public works department of the Town. The purchase price of the Corporation Yard Acquisition Project is \$1.2 million, of which \$700,000 will be paid from proceeds of sale of the Certificates and the balance of \$500,000 will be evidenced by a promissory note from the Town to the current property owners.

The promissory note is payable in accordance with its terms and the terms of that certain Commercial Property Purchase Agreement and Joint Escrow Instructions, dated October 22, 2009, between the Town and the current property owners. The Town expects to repay the promissory note with proceeds of the sale of land currently owned by the Town. Other incidental costs related to the Corporation Yard Acquisition Project, including costs of escrow for the transfer of title to the Town, will be paid by the Town from proceeds of the Certificates.

Town Hall Improvement Project

The Town Hall Improvement Project is estimated to cost \$600,000 and will be funded from proceeds of the sale of the Certificates. The Town will pay any amount in excess of the \$600,000 estimated cost from available cash resources or will scale back the project in order to meet the funding available for construction of the Town Hall Improvement Project.

Existing Leases

Portions of the Town Hall Improvement Project are subject to leases between the Town and private leaseholders. Upon completion of the Town Hall Improvement Project, the Town does not anticipate any further private use of either property. The Town expects to terminate these private leases upon completion of the Town Hall Improvement Project. At present, the Town anticipates using both facilities for public purposes. However, the Town has reserved its right to sublease portions of Town Hall or the Corporation Yard for private uses in the future, subject to the condition that the Town must obtain an opinion of counsel prior to execution of any sublease to any private entity that such sublease will not adversely affect the tax-exempt status of the Certificates.

THE LEASED FACILITIES

The Leased Facilities consist of the Moraga Town Hall (“Town Hall” or the “Site”), located at 329 Rheem Boulevard, together with the improvements to be constructed pursuant to the Town Hall Improvement Project.

Town Hall is a two story wood frame construction building that houses the Moraga police department on the ground floor and Town office space, as well as certain private leases, on the second floor with surface parking adjacent to the property. The current estimated value of Town Hall, prior to completion of the Town Hall Improvement Project, is \$2,000,000 based on its insured value and excluding the value of the land itself. The Town intends to continue use and occupancy of the Town Hall without interruption, to the fullest extent possible, during

the implementation of the Town Hall Improvement Project. Upon completion of the Town Hall Improvement Project, the Town intends to relocate members of its staff from another building located at 2100 Donald Drive in Moraga to Town Hall, where they will occupy the portion of Town Hall that is being remodeled.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Certificates, exclusive of accrued interest, together with certain other amounts are expected to be applied as shown below:

Sources:	
Certificate Proceeds	\$1,525,000.00
Plus Net Premium	29,562.00
TOTAL	\$1,554,562.00
Uses:	
331 Rheem Acquisition	\$700,000.00
Improvement Fund	\$650,000.00
Reserve Account	\$117,618.76
Underwriter's Discount	\$33,000.00
Delivery Costs ⁽¹⁾	\$53,943.24
TOTAL	\$1,554,562.00

⁽¹⁾ Includes Special Counsel and Disclosure Counsel fees, Rating Agency fees, Trustee fees, financial printing, title insurance costs and other costs.

THE CERTIFICATES

The Certificates are authorized by, and are being issued pursuant to the Trust Agreement, applicable laws and the Constitution of the State.

The Certificates will be executed and delivered as fully registered Certificates without coupons for each maturity and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in denominations of \$5,000 and integral multiple thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Principal and interest are payable by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. See Appendix F — "BOOK-ENTRY ONLY SYSTEM."

The Certificates will be issued in the principal amounts, will be dated the date of delivery thereof to the Underwriter, and will represent the accrual of interest at the rates and mature on the dates and in the amounts, set forth on the cover page of this Official Statement. Interest is first payable on October 1, 2010 and semiannually thereafter on April 1 and October 1 of each year (each an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months. The Certificates will represent the accrual of interest from the Interest Payment Date next preceding the date of execution thereof, unless such date of execution is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they will represent the accrual of interest from such Interest Payment Date, or unless such date of execution is on or before the 15th day of the month next preceding the first Interest Payment Date, in which event they will represent the accrual of interest from their dated date; provided, however, that if at the time of execution a Certificate is in default, such Certificate will represent the accrual of interest from the Interest Payment Date to which interest had previously been paid.

Payment of interest with respect to the Certificates due on or before the maturity or prior Prepayment of such Certificates will be made to the person whose name appears on the Certificate registration books of the Trustee as the registered owner thereof, as of the close of business of the 15th day of the month next preceding the Interest Payment Date (the “Record Date”), whether or not such day is a Business Day, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such registered owner at his address as it appears on such books, or, upon written request received by the Trustee prior to the 15th day of the month preceding an Interest Payment Date, of an Owner of at least \$1,000,000 in aggregate principal amount of the Certificates, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Principal of and prepayment premium, if any, with respect to the Certificates will be payable upon the surrender thereof at maturity or the earlier prepayment thereof at the Corporate Trust Office of the Trustee, as further provided in the Trust Agreement. Principal of, prepayment premiums, if any, and interest with respect to the Certificates will be paid in lawful money of the United States of America.

Prepayment

Extraordinary Prepayment. The Certificates are subject to extraordinary prepayment on any date prior to their respective stated maturities, in whole or in part (by lot within each stated maturity) in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, plus accrued but unpaid interest to the prepayment date from net insurance proceeds or condemnation awards not used to repair or replace the Leased Facilities or portions thereof which have been materially damaged, destroyed or taken in eminent domain proceedings.

Optional Prepayment. The Certificates maturing on or before October 1, 2018 are not subject to optional prepayment prior to their respective maturities. The Certificates maturing on or after October 1, 2019 are subject to prepayment prior to their respective maturities at the option of the Town, from any source of available funds, on or after October 1, 2018, as a whole on any date, or in part on any Interest Payment Date, on a pro rata basis among maturities and by lot within any such maturity if less than all of the Certificates of such maturity are prepaid, at a prepayment price equal to the principal amount to be prepaid, without premium, together with accrued interest thereon to the prepayment date.

Notice of Prepayment

So long as the Certificates are held in book-entry form, notices of prepayment will be mailed only to DTC as the registered owner of the Certificates and not to purchasers of beneficial ownership interests in the Certificates. See Appendix F — “BOOK-ENTRY ONLY SYSTEM”.

Notice of prepayment shall be mailed by first-class mail by the Trustee, on behalf of and at the expense of the Town, not less than 30 nor more than 60 days prior to the Prepayment date to (i) the respective Owners of Certificates designated for prepayment at their addresses appearing on the certificate registration books of the Trustee, (ii) the Securities Depositories (as defined in the Trust Agreement) and (iii) one or more Information Services (as defined in the Trust Agreement) selected by the Town. Notice of prepayment to the Securities Depositories and the Information Services will be given by registered mail or overnight delivery or facsimile transmission. Each notice of prepayment shall state the date of such notice, the prepayment price, if any, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be prepaid, the distinctive certificate numbers of the Certificates of such maturity to be prepaid and, in the case of Certificates to be prepaid in part only, the respective portions of the principal amount with respect thereto to be prepaid. Each such notice shall also state that on such date there will become due and payable with respect to each of the Certificates the prepayment price, thereof, together with interest accrued with respect thereto the prepayment date, and that from and after such prepayment date interest with respect thereto shall cease to accrue, and shall require that such Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such prepayment. See Appendix F — “BOOK-ENTRY ONLY SYSTEM.”

The Town may, at its option, prior to the date of mailing any notice of prepayment, rescind and cancel such notice of prepayment.

Effect of Prepayment

If notice of prepayment has been given in accordance with the Trust Agreement and money for the prepayment is on deposit with the Trustee, then from and after the prepayment date interest with respect to the Certificates will cease to accrue, and the Owners of such Certificates will have no rights in respect of such Certificates except to receive payment of the prepayment price from the Trustee.

SECURITY FOR THE CERTIFICATES

General

The Certificates are payable from and are secured by a pledge of Revenues which consist of all Base Rental Payments and other payments paid by or for the benefit of the Town and received by the Trustee pursuant to the Facility Lease and the Trust Agreement, except Additional Payments, together with all interest income earned on amounts held under the Trust Agreement (other than amounts in the Rebate Fund). Certain of the rights, title and interest of the Authority under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Trust Agreement, for the benefit of the Owners, including, without limitation, the Authority's right to receive Base Rental Payments under the Facility Lease. The Trustee, pursuant to the Trust Agreement, will receive Base Rental Payments for the benefit of the Owners.

The Town is required under the Facility Lease to budget for and appropriate semi-annual Base Rental Payments from legally available funds. The Base Rental Payments are designed to be sufficient to pay principal and interest with respect to the Certificates as and when due.

The Base Rental Payments payable on April 1 and October 1 in any calendar year are for the period commencing on October 2 of the preceding calendar year and terminating on October 1 of such calendar year, except for the first Base Rental Payment which is for the period from the date of execution and delivery of the Certificates to October 1, 2010. Base Rental Payments will be abated in the event of any damage or destruction (other than by condemnation) which causes substantial interference with the use and occupancy of the Leased Facilities by the Town, if and to the extent that the fair rental value of the remaining portion of the Leased Facilities is less than the remaining Base Rental Payments. The Town is certifying as to the fair rental value of the Leased Facilities as of the date of execution and delivery of the Certificates. See "RISK FACTORS — Abatement" herein.

Additional Payments due from the Town under the Facility Lease, which are not pledged to repay the Certificates, include amounts sufficient to pay all fees, costs and expenses and all administrative costs of the Town related to the Leased Facilities, including, without limitation, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Town under the Trust Agreement or to be paid by the Town in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement. The Town is also responsible for the repair and maintenance of the Leased Facilities required as a result of ordinary wear and tear and want of care on the part of the Town during the term of the Facility Lease.

The Town has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budget, and to annually appropriate semi-annual Base Rental Payments from lawfully available funds, as long as the Leased Facilities with a fair rental value sufficient to support Base Rental Payments under the Facility Lease are available for the Town's use.

In the event the Town defaults under the Facility Lease, the Facility Lease and the Trust Agreement provide that the Trustee may, with or without terminating the Facility Lease, re-let the Leased Facilities for the account of the Town. In the event the Trustee re-lets the Leased Facilities without terminating the Facility Lease, the Trustee may hold the Town liable for semi-annual payments of any cumulative net deficiency in Base Rental Payments or Additional Payments under the Facility Lease. In lieu of the foregoing, so long as the Trustee does not terminate the Facility Lease or the Town's right to possession of the Leased Facilities, the Trustee may sue to

recover Base Rental Payments as they become due. The Trustee may not accelerate the Town's obligation to make Base Rental Payments. See "RISK FACTORS — Limited Recourse on Default."

The obligation of the Town to make Base Rental Payments under the Facility Lease does not constitute an obligation to levy or a pledge of any form of taxation. Neither the Certificates nor the obligation of the Town to make Base Rental Payments or additional rental payments, as provided by the Facility Lease, constitutes an indebtedness of the Town, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Town shall be obligated to make Base Rental Payments subject to the terms of the Facility Lease, and neither the Town nor any of its officers shall incur any liability or any other obligation with respect to the execution and delivery of the Certificates.

Reserve Account

The Trustee will deposit in the Reserve Account an amount of money which will be equal to the Reserve Account Requirement. The Reserve Account Requirement is, as of any calculation date, an amount equal to the least of (i) 10% of the proceeds derived from the sale of the Certificates, (ii) the Maximum Annual Debt Service, or (iii) 125% of the Average Annual Debt Service. No deposit need be made in the Reserve Account so long as there is on deposit therein a sum equal to at least the Reserve Account Requirement.

All moneys in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such funds for the purpose of paying principal and interest and prepayment premium, if any, with respect to the Certificates or for the retirement of all the then outstanding Certificates. Any amounts in the Reserve Account in excess of the Reserve Account Requirement will be deposited in the Revenue Fund.

Insurance

The Facility Lease provides that the Town will maintain rental interruption insurance throughout the term of the Facility Lease so that, in the event Base Rental Payments are abated under the Facility Lease, moneys will be available in an amount sufficient to pay Base Rental Payments under the Facility Lease for the period of at least two years.

The Facility Lease requires the Town to maintain insurance on the Leased Facilities against loss or damage to the Leased Facilities resulting from fire and lightning, vandalism and malicious mischief, sprinkler system leakage and such other perils ordinarily covered by such insurance. In addition, the Facility Lease requires that earthquake insurance be obtained to the extent that the premium for such insurance is available at a commercially reasonable cost. The Town does not expect to purchase earthquake insurance as it is not available at commercially reasonable costs. The Facility Lease further requires that the Town maintain standard comprehensive general liability insurance in the amounts provided in the Facility Lease against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of operation of the Leased Facilities. With respect to the casualty, general liability insurance and workers' compensation insurance, the Town has elected to provide a self-insurance method or plan to provide the insurance coverage described above. See "THE TOWN — Insurance."

The Facility Lease provides that, at the time of execution and delivery of the Certificates, the Town will obtain a CLTA title insurance policy on the Leased Facilities, including both leaseholder's and owner's coverage, in an amount equal to the aggregate principal amount of the Certificates. See Appendix A — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Facility Lease."

DEBT SERVICE SCHEDULE

The following table sets forth the schedule of principal and interest with respect to the Certificates to be paid:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	30,000	33,566.30	63,566.30
2011	55,000	59,218.76	114,218.76
2012	60,000	57,568.76	117,568.76
2013	60,000	55,768.76	115,768.76
2014	60,000	53,968.76	113,968.76
2015	65,000	52,168.76	117,168.76
2016	65,000	50,218.76	115,218.76
2017	70,000	47,618.76	117,618.76
2018	70,000	44,818.76	114,818.76
2019	75,000	42,018.76	117,018.76
2020	75,000	39,018.76	114,018.76
2021	80,000	36,018.76	116,018.76
2022	80,000	32,818.76	112,818.76
2023	85,000	29,618.76	114,618.76
2024	90,000	26,218.76	116,218.76
2025	95,000	22,506.26	117,506.26
2026	95,000	18,468.76	113,468.76
2027	100,000	14,312.50	114,312.50
2028	105,000	9,812.50	114,812.50
2029	<u>110,000</u>	<u>5,087.50</u>	<u>115,087.50</u>
TOTAL	\$1,525,000	\$730,816.46	\$2,255,816.46

THE AUTHORITY

The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State. The Authority was formed pursuant to the terms of that certain Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992 and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code that was created by the ABAG to assist nonprofit corporations and other entities in obtaining financing for projects that serve the public interest that are located within the several jurisdictions of Authority members.

ABAG is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to an agreement which became effective January 24, 1961, by and among various cities and counties in the San Francisco Bay Area. ABAG is operated by said cities and counties and established to protect local control, plan for future and promote cooperation on area-wide issues. ABAG had been designated by the State and federal government as the official comprehensive planning agency for the San Francisco Bay Area. Neither the Certificates nor the obligations of the Authority constitute a debt or obligation of any kind of ABAG or of any of its members other than the Town.

THE TOWN

General

The Town encompasses an area of approximately 9.5 square miles and has a population of approximately 16,000. The Town is predominately residential in nature with clusters of community-serving retail and commercial spaces. Residents enjoy award-winning schools and access to diverse employment options throughout the San Francisco Bay Area. The Town is located in Contra Costa County, approximately 22 miles east of San Francisco.

The land use within the Town is a mixture of residential, retail, commercial, and services-oriented offices. The Town was incorporated as a general law city on November 13, 1974, and is governed by a five person Town Council and a Council-Manager form of government. See Appendix B — “GENERAL INFORMATION REGARDING THE TOWN OF MORAGA AND ITS REGION.”

Management

Town Manager. Michael Segrest was appointed as Town Manager in March 2009. Mr. Segrest has over 40 years experience in municipal government. He has held the positions of Assistant Director of Operations for Austin, Texas Parks and Recreation Department; Director of Parks and Recreation in Boulder, Colorado; Assistant City Manager in Boulder, Colorado; Director of Community Resources in Lakewood, Colorado; and Town Manager in Snowmass Village, Colorado. In these positions he has managed organizations of up to 900 full time employees and annual budgets in excess of \$100 million. Mr. Segrest holds a Bachelor of Science Degree in Park Administration from Texas Tech University. He has also attended the University of Phoenix and has completed work toward a Masters Degree in Organizational Management.

Administrative Services Director. Joan Streit has worked for the Town as Finance Director and Administrative Services Director since 2008. Prior to working for the Town, Ms. Streit held positions as Director of Finance and Technology for the City of Dixon; Director of Finance and Administration for the City of Albany, CA; and Assistant Dean for Administration and Finance for the School of Education at the University of California, Davis. Ms. Streit received budget and CAFR awards from both CSMFO and GFOA. Ms. Streit holds a PhD from the University of California, Berkeley, a Masters of Arts from San Francisco State University, and a Bachelor of Science from the University of California, Davis.

Budget Process

The Town’s fiscal year begins on the first day of July and ends on the 30th day of June of the following year. The Town budget process begins in February of each year with a planning and goal setting session. In early March an update on the current year’s budget is presented to the Town Council. Budget instructions are sent out in March and each department submits an estimate of revenues and expenditures for the upcoming year by late April. Budget presentations are made to the Town Council in June, and the Budget is adopted by June 30 of each fiscal year.

Revenue Enhancement Committee

The Town established a Revenue Enhancement Committee in May 2009 to recommend to the Town Council potential strategies for enhancing existing and creating new revenue sources and strategies for the general fund and infrastructure needs. The committee provided its report and recommendations to the Town Council in November 2009. The Council is currently reviewing the report and evaluating the recommendations.

Operating Reserve Policy

The Town has a policy to maintain a general fund balance of at least 50% of general fund operating expenditures. If the Town has any year end savings, one half of such savings are retained in the general fund reserve, and the remaining one half savings are deposited in an infrastructure improvement fund. The primary purpose of this fund balance designation is to protect the Town's essential service programs and to fund requirements during periods of economic downturn or of unforeseen catastrophic events. At the end of Fiscal Year 2008-09, the general fund balance was approximately 67% of general fund operating expenditures for the fiscal year, including the one-time Developer Fee fund in the general fund family of funds.

Revenue and Expenditure Trends

The Town of Moraga Financial Statements for fiscal year ended June 30, 2009, along with accompanying notes and opinions from the independent certified public accountant are attached as Appendix C. See Appendix C — “AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE FISCAL YEAR ENDED JUNE 30,

2009.” For further historical information concerning the financial condition of the Town, prior annual audit reports are on file with the Administrative Services Department.

The Town maintains its accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and the standards established by the Governmental Accounting Standards Board (GASB). Monthly reports of revenues and expenditures are provided to each department to review the performance to date against the budget and to recommend any necessary changes. Combined financial statements are produced following the close of each fiscal year. A mid-year budget report is provided to the Town Council in late February and early March for review.

The Town employs an independent certified public accountant that examines the financial statements of the Town in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable after the end of each Fiscal Year a final audit and report is submitted by the independent certified public accountant to the Town Council.

The General Fund Budget includes programs and services which are provided on a Town-wide basis. The programs and services are financed primarily by the Town’s share of property taxes, sales tax and charges for services provided. Table 1 below compares the Town’s General Fund Budget adopted for fiscal year 2008-2009 with the actual revenue and expenditures for fiscal year 2008-09.

TABLE 1
TOWN OF MORAGA, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	2008-2009		2008-2009	Variance with Final
	Budgeted Amounts			
	Original	Amended		Positive
	Budget	Budget		(Negative)
<u>REVENUE</u>				
Taxes and Assessments*	\$4,033,866	\$4,161,919	\$4,532,945	\$371,026
Intergovernmental	309,440	329,520	465,960	136,440
Interest and Use of Property	251,365	303,792	327,877	24,085
Fines, Forfeitures and Penalties	16,500	34,550	53,126	18,576
Charges for services	621,030	547,346	713,992	166,646
Other revenues	132,455	89,897	147,860	57,963
Total Revenue	<u>\$5,364,656</u>	<u>\$5,467,024</u>	<u>\$6,241,760</u>	<u>\$774,736</u>
<u>EXPENDITURES</u>				
General Government	1,269,234	1,313,653	1,345,160	(31,507)
Planning	642,049	644,552	659,558	(15,006)
Public safety	2,310,226	2,315,770	2,195,268	120,502
Public works	1,813,267	1,850,909	1,565,105	285,804
Parks and Recreation	531,920	533,949	523,095	10,854
Debt Service Principal	78,770	78,770	82,690	(3,920)
Capital outlay	400	10,825	8,105	2,720
Total Expenditures	<u>6,645,866</u>	<u>6,748,428</u>	<u>6,378,981</u>	<u>369,447</u>
Revenues over (under) expenditures	<u>(1,281,210)</u>	<u>(1,281,404)</u>	<u>(137,221)</u>	<u>1,144,183</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	1,249,130	1,249,130	1,037,955	(211,175)
Transfers out	(55,740)	(141,373)	(278,378)	(137,005)
Total other financial sources (uses)	<u>1,193,390</u>	<u>1,107,757</u>	<u>759,577</u>	<u>(348,180)</u>
Revenues over (under) expenditures, net of other financial sources (uses)	<u>(87,820)</u>	<u>(173,647)</u>	<u>622,356</u>	<u>796,003</u>
Fund balances – July 1, 2008	<u>4,088,869</u>	<u>4,088,869</u>	<u>4,088,869</u>	<u>0</u>
Fund balances - June 30, 2009	<u>4,001,049</u>	<u>3,915,222</u>	<u>4,711,225</u>	<u>796,003</u>

* includes Property taxes, Sales taxes, franchise fees, property transfer fees and motor vehicle license fees.

Source: Town Financial Statements for Fiscal Year ended June 30, 2009.

Table 2 below shows audited general fund revenues and expenditures for the fiscal years ending June 30, 2006 through June 30, 2009 and the budgeted revenues and expenditures for the fiscal year ending June 30, 2010.

TABLE 2
TOWN OF MORAGA, CALIFORNIA
GENERAL FUND REVENUES AND EXPENDITURES
HISTORIC TRENDS AND PROJECTED BUDGET
for the Fiscal Years Ended June 30

	<u>Audited 2006</u>	<u>Audited 2007</u>	<u>Audited 2008</u>	<u>Audited 2009</u>	<u>Budget 2010</u>
Revenues:					
Property tax	\$2,413,542	\$2,754,578	\$2,775,302	\$2,847,381	\$2,873,124
Sales taxes	846,142	931,921	1,028,004	945,004	902,831
Franchise Fees		621,824	659,421	693,055	666,949
Property Transfer Fees		116,178	110,431	47,504	-
Vehicle License Fees		104,498	73,242	56,155	39,224
Fees for Service		655,481	885,582	713,992	493,270
Interest and Use of Property				327,877	308,932
Other revenues ¹	1,408,366	0	3,500,000	610,792	421,999
Total Operating Revenues	<u>4,668,320</u>	<u>5,184,480</u>	<u>9,031,982</u>	<u>6,241,760</u>	<u>5,706,329</u>
Capital Grants	498,330	436,072	599,347		
Total Revenues	<u>5,166,650</u>	<u>5,620,552</u>	<u>9,631,329</u>	<u>6,241,760</u>	<u>5,706,329</u>
Expenditures:					
General Government ²	850,276	933,253	2,778,380	1,345,160	1,223,338
Planning	385,915	423,264	786,218	659,558	484,829
Public Safety	2,025,405	2,177,986	2,285,707	2,195,268	2,047,596
Public Works	218,417	206,303	913,636	1,565,105	1,672,151
Parks and Recreation	744,818	801,056	505,414	523,095	499,343
Other	75,447	71,281	115,416	90,795	-
Total Operating Expenses	<u>4,300,278</u>	<u>4,613,143</u>	<u>7,384,771</u>	<u>6,378,981</u>	<u>5,927,257</u>
Capital Projects:	673,696	239,781			
Total Expenditures	<u>4,973,974</u>	<u>4,613,143</u>	<u>7,384,771</u>	<u>6,378,981</u>	<u>5,927,257</u>
Revenues Less Expenses	<u>192,676</u>	<u>767,628</u>	<u>2,246,558</u>	<u>(137,221)</u>	<u>(220,928)</u>
Transfers In (Out)	(423,723)	(223,218)	0	759,577	671,000
Net Change in Fund Balance	<u>(231,047)</u>	<u>544,410</u>	<u>2,246,558</u>	<u>622,356</u>	<u>450,073</u>
Fund Balances at Beginning of Fiscal Year ³	1,562,876	1,331,829	1,842,311	4,088,869	4,711,225
Fund Balances at End of Fiscal Year	1,331,829	1,876,239	4,088,869	4,711,225	5,161,297

¹ Other Revenues for fiscal year 2008 consists of one time developer fees with respect to the Palos Colorados project.

² The Town centralized the annual budget and accounting into the general fund beginning in fiscal year 2009.

³ Restated beginning fund balance for fiscal year 2008 due to prior year accumulated depreciation adjustment.

Source: Town of Moraga Audited Financial Statements for fiscal years ending 2007, 2008, and 2009; fiscal year 2009-10 Operating and Capital Improvement Program Budget approved on June 24, 2009.

Property Taxes

Local property taxes, which comprised 46% of general fund revenues at June 30, 2009, have remained stable over the past four years and are expected to remain stable for fiscal year 2009-10.

Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1 at a rate of approximately 1% of assessed value (plus any voter-approved assessments). For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and March 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be prepaid by payment of a penalty of 1 ½% per month to the time of prepayment, plus costs and a prepayment fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent on October 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1 ½% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests.

On July 28, 2009, the State legislature approved a provision in the State budget that permitted the State to borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts. Under the provision, the State is required to repay the loans by June 13, 2013. The provision also created an option, called Proposition 1A, for California Statewide Communities Development Authority to purchase the receivables due to local agencies from the State and simultaneously issue bonds and remit the cash proceeds to local public agencies that chose to participate in the Proposition 1A process. To offset any cash flow impact related to the borrowing of property taxes, the Town elected to participate in the Proposition 1A program.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Teeter Plan

The County of Contra Costa has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the “Teeter Plan.” The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, public agencies and taxing areas located in the county annually receive the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan is intended to provide participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to special assessments that are collected on the secured roll. The County can elect to terminate its Teeter Plan for subsequent fiscal years, in which case, the Town would receive only the taxes and special assessments actually collected and the delinquent amounts when and if received.

Assessed Valuation Information

Tables 3 and 4 below have been prepared by California Municipal Statistics, Inc. The Town has not independently verified Tables 3 and 4 for completeness or accuracy and makes no representation in connection therewith.

Set forth in Table 3 below is a listing of the Town’s assessed valuations for secured and unsecured property within the Town for fiscal years 2005-06 through 2009-10.

**TABLE 3
TOWN OF MORAGA, CALIFORNIA
ASSESSED VALUE OF ALL TAXABLE PROPERTY
Fiscal Years 2005-06 through 2009-10**

	Secured	Utility	Unsecured	Total
2005-06	\$2,475,482,356	\$56,175	\$17,895,236	\$2,493,433,767
2006-07	2,653,660,916	56,814	19,605,474	2,673,323,204
2007-08	2,817,219,178	56,814	21,084,705	2,838,360,697
2008-09	2,914,447,594	56,814	20,896,105	2,935,400,513
2009-10	2,966,238,621	56,814	25,530,177	2,989,825,612

Source: California Municipal Statistics, Inc., Town of Moraga

Largest Taxpayers

The ten largest secured property taxpayers in the Town, as shown on the fiscal year 2009-10 secured tax roll, are listed in Table 4 below.

**TABLE 4
TOWN OF MORAGA, CALIFORNIA
TEN LARGEST SECURED PROPERTY TAXPAYERS
for Fiscal Year 2009-10**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2009-10 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	PKI Rheem Valley LP	Shopping Center	\$23,421,875	0.79%
2.	Russell J. Bruzzone Inc.	Shopping Center	20,387,165	0.69
3.	Oakmont of Moraga LLC	Assisted Living	10,042,246	0.34
4.	Markets Angelos	Shopping Center	7,672,949	0.26
5.	George Gage	Apartments	7,527,600	0.25
6.	Bigbury Company NV	Undeveloped	7,499,207	0.25
7.	GKHB Royale Investments LP	Assisted Living	7,288,477	0.25
8.	KN Productions	Mini-Warehouse	4,827,733	0.16
9.	Moraga Builders Corp.	Residential Properties	4,770,096	0.16
10.	Mahesh K. & Mino Puri	Movie Theater	<u>4,601,154</u>	<u>0.16</u>
			\$98,038,502	3.31%

⁽¹⁾ 2009-10 Local Secured Assessed Valuation: \$2,966,295,435

Source: California Municipal Statistics, Inc.

Sales Taxes

Sales tax is collected and distributed by the State Board of Equalization. The Town receives an amount equal to three quarters of one percent (0.75%) of taxable sales within its jurisdiction. Sales taxes comprised 15%

percent of general fund revenues at June 30, 2009. Total sales tax revenues for fiscal year 2009 declined by approximately 8% from fiscal year 2008 levels. The Town has budgeted for an additional estimated 4% decline in fiscal year 2010. Sales taxes are budgeted to comprise approximately 16% of the general fund revenues for the fiscal year ending June 30, 2010.

Franchise Fees

Franchise fees comprised 11% of general fund revenues at June 30, 2009. Franchise fees have remained stable over the past three years and are expected to remain stable for fiscal year 2009-10. The Town levies a franchise fee on cable television, trash collection and electric and gas utilities.

Vehicle License Fees

Vehicle license fees (“VLF”) are annual fees on the ownership of a registered vehicle in California. VLF revenues are collected by the State Department of Motor Vehicles. Automobiles, motorcycles, pick-up trucks, commercial trucks and trailers, rental cars and taxicabs are all subject to VLF. VLF revenues are distributed by the State to cities and counties. Approximately three-fourths of VLF revenues are general revenues and can be used for any purpose. The license fees that are available for general purposes are deposited monthly in the State Treasury to the credit of the Motor Vehicle License Fee Account (the “Account”) in the Transportation Tax Fund. Pursuant to the California Revenue and Taxation Code (Sections 11001-11005), moneys in the Account are statutorily appropriated to cities and counties in accordance with a formula set forth in the Government Code, which is generally based upon population.

On September 20, 1998, the Governor approved a 25% reduction in VLF beginning on January 1, 1999. Beginning January 1, 2001, vehicle owners received the equivalent of a 67.5% reduction in VLF. This reduction in VLF to local governments is partially offset by the State from State general fund revenues. Consequently, the Town has received reduced revenues attributable to VLF. Amounts paid by the State as an offset to the reduction in VLF are transferred from the general fund to the Account. The funds from the State will be a continuous appropriation; however, this is not a firm guarantee of a continuing replacement of such funds. Thus, in future years there could be a loss by local governments, including the Town, of State general fund revenues that offset reduced VLF. If insufficient State general fund moneys are available to completely fund the offset, the amounts paid by the State to local governments, including the Town, may be reduced.

Fees for Services.

Fees for Services comprise 11% of fiscal year June 30, 2009 general fund revenues. These revenues include recreation program fees, municipal code violations, parking fines, fees for fingerprinting, reports, permits and other service charges.

Other Local Taxes, Fees and Revenues

In addition to ad valorem taxes on real property and sales and use taxes, the Town receives other local taxes, fees and revenues, certain of which are described below. All of the following taxes were enacted prior to January 1, 1995. See “LIMITATIONS ON TAXES AND APPROPRIATIONS” herein.

Other Revenue Sources. Other Revenues of the Town’s General Fund are described below:

Property Transfer Fees. The property transfer fee is collected when property changes ownership within the Town. The Town receives 50% of the transfer tax and the County receives the other 50% of the transfer tax.

Licenses and Permits. These revenues consist primarily of building construction permits, plan check fees, animal licensing fees, encroachment and grading permits, and other service fees.

Interest and Rental Income. These revenues consist primarily of investment earnings and rental income received for use of Town property.

Other Revenues. For the fiscal year ending June 30, 2008, other revenues of \$3,500,000 consisted entirely of developer fees related to the Palos Colorados project. Other revenues consist of reimbursements, asset forfeiture proceeds and other miscellaneous income.

Investment Policies and Procedures

Funds held by the Town are invested in accordance with the investment policy (the "Investment Policy") that was adopted by the Town in accordance with Section 53601 of the Government Code of California. A copy of the Investment Policy is attached as Appendix E — "TOWN OF MORAGA INVESTMENT POLICY."

The Town believes that its funds are prudently invested and that the investments are scheduled to mature at the times and in the amounts that are necessary to meet the required expenditures and withdrawals of the Town.

For additional information concerning the Town investments, see Appendix C — "AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE FISCAL YEAR ENDED JUNE 30, 2009."

Budgeted Expenditure Reductions for 2010

Expenditures for fiscal year 2009-10 are budgeted to be 7% lower than fiscal year 2008-09. Reductions were taken in all areas by consolidating departmental responsibilities, reducing travel, eliminating contributions by the general fund to the asset replacement fund, permanently eliminating positions that were cut in mid-year 2008-09, reducing some positions to part-time, and reducing other operational costs.

Summary Balance Sheet Information

The general fund balance sheet for the Town for the fiscal years ending June 30, 2008 and 2009 are set forth below in Table 5. The audited financial statements of the Town for the year ended June 30, 2009 are also attached as Appendix C and should be read in their entirety.

TABLE 5
TOWN OF MORAGA, CALIFORNIA
GENERAL FUND BALANCE SHEETS
as of June 30

	<u>2008</u>	<u>2009</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$3,334,611	\$5,268,378
Accounts Receivable	331,252	387,799
Interest Receivable	32,397	19,590
Notes Receivable	325,000	-
Due From Other Funds	601,592	-
Prepaid Assets	-	-
Other Deposits	145	-
Total Assets	<u>\$4,624,997</u>	<u>\$5,675,767</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts Payable	400,444	293,655
Accrued Payroll	73,032	96,872
Deferred Revenue	7,950	-
Other Liabilities	-	4,104
Compensated Absences	2,892	-
Due to Fiduciary Fund	42,541	435,439
Due to other Funds	9,267	134,472
Total Liabilities	<u>536,128</u>	<u>964,542</u>
Fund Balance:		
Reserved	112,274	85,132
Unreserved	3,976,595	4,626,093
Total Fund Balance	<u>\$4,088,869</u>	<u>\$4,711,225</u>
Total Liabilities and Fund Balance	\$4,624,997	\$5,675,767

Source: Town of Moraga Audited Financial Statements for fiscal years ending 2008 and 2009.

Outstanding Debt

At fiscal year end 2009 the Town had a remaining balance of \$86,800 on a note payable in connection with the Town Hall property. The Town has subsequently repaid this note, and has no other outstanding debt obligations.

Plans for Future Obligations

The Town currently has no plans to incur any significant debt obligations payable from the general fund. The Town may issue or incur additional obligations, however, which constitute additional charges against its general fund. To the extent that additional obligations are issued or incurred by the Town, the amount available to make Base Rental Payments may be decreased.

Overlapping Debt Statement

Set forth in Table 6 below is an estimated direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated as of February 1, 2010. The Debt Report is included for general information purposes only. The Town has not independently verified the information in the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Town in whole or in part. Such long-term obligations generally are not payable from revenues of the Town (except as indicated) nor are they necessarily obligations secured by land within the Town. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

TABLE 6
TOWN OF MORAGA, CALIFORNIA
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
as of February 1, 2010

TOWN OF MORAGA

2009-10 Assessed Valuation: \$2,989,825,612

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/10</u>
Bay Area Rapid Transit District	0.685%	\$ 2,877,000
Contra Costa Community College District	2.317	4,003,660
Acalanes Union High School District	12.974	15,398,545
Moraga School District	97.253	10,017,059
Orinda Union School District	0.258	32,856
East Bay Regional Park District	1.043	<u>2,104,826</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$34,433,946
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Contra Costa County General Fund Obligations	2.308%	\$ 6,567,529
Contra Costa County Pension Obligations	2.308	10,742,701
Contra Costa Community College District Certificates of Participation	2.317	24,329
Town of Moraga General Fund Obligations ⁽¹⁾	100.00	<u>1,525,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$18,810,901
Less: Contra Costa County Obligations supported by revenue funds		<u>3,054,899</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$15,756,002
GROSS COMBINED TOTAL DEBT		\$53,244,847
NET COMBINED TOTAL DEBT ⁽²⁾		\$50,189,948

(1) Includes 2010 Certificates of Participation (Town Improvement Project).

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

Ratios to Assessed Valuation:

Combined Direct Debt.....	100.00%
Total Overlapping Tax and Assessment Debt	1.15%
Gross Combined Total Debt	1.73%
Net Combined Total Debt.....	1.63%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

Source: California Municipal Statistics, Inc.

Insurance

The Town maintains a comprehensive insurance program for property, liability, vehicles and workers' compensation through its participation in the Municipal Pooling Authority, a joint powers authority that includes risk sharing with 19 member cities.

Employee Relations and Collective Bargaining

The only formal registered labor union in the Town is the Moraga Police Officers Association. All other labor units are bargaining units and not formal unions.

**TABLE 7
TOWN OF MORAGA, CALIFORNIA
LABOR UNIONS AND BARGAINING UNITS
as of January 2010**

Employee Group	Employees	Contract Expires
1. Moraga Police Officers Association (MPOA)		June 2010
2. Moraga Police Management	2	no contract
3. Moraga Employees' Association		June 2010
4. Department Heads		no contract
5. Mid-Management/Professional		no contract

RISK FACTORS

The following discussion sets forth some of the events which could prevent the Trustee from receiving a sufficient amount of Revenues to enable it to pay the principal and interest with respect to the Certificates. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Certificates and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Certificates. There can be no assurance that other risk factors will not become material in the future. See also "LIMITATIONS ON TAXES AND APPROPRIATIONS."

Limited Obligations

The Certificates evidence limited obligations, payable by the Trustee solely from the Base Rental Payments and amounts held by the Trustee in certain funds and accounts established under the Trust Agreement. The Certificates do not constitute an obligation for which the Town or any public agency is obligated to levy or pledge any form of taxation or for which any public agency has levied or pledged any form of taxation. The Authority has no taxing power. The obligation of the Town to make Base Rental Payments under the Facility Lease does not constitute an obligation of the Town for which the Town is obligated to levy or pledge any form of taxation or for which the Town has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the Town to make Base Rental Payments constitutes an indebtedness of the Town, the Authority, the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Failure of Town to Make Base Rental Payments

The Town's Base Rental Payments and other payments ("Additional Payments") due under the Facility Lease (including insurance, payments of costs of improvements, repair and maintenance of the Leased Facilities, taxes and other governmental charges and assessments levied against the Leased Facilities) are not secured by any pledge of taxes or other revenues of the Town but are payable from any funds lawfully available to the Town. Additionally, the Town may expend its general fund resources for other purposes in the future, thus making them

unavailable as a source of payment of the Certificates. In the event the Town's general fund and other legally available revenue sources are less than its total obligations, the Town could choose to fund other municipal services before making Base Rental Payments. The same result could occur if, because of State Constitutional limits on expenditures, the Town is not permitted to appropriate and spend all of its available revenues. The Town's appropriations currently do not exceed the limitation on appropriations under Article XIII B of the California Constitution. See "LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIII B of the State Constitution."

Abatement

Except to the extent of amounts held in the Reserve Account or otherwise available to the Trustee for payments with respect to the Certificates, the obligation of the Town to make Base Rental Payments will be abated proportionately during any period which by reason of any damage or destruction there is substantial interference with the Town's right to use and occupancy of the Leased Facilities, such that the resulting Base Rental Payments represent fair rental value for the right of use and possession of the Leased Facilities not damaged or destroyed. Such abatement would continue for the period commencing with such damage or destruction, ending with the substantial completion of the replacement, repair or reconstruction permitting use and occupancy by the Town or the substitution of other assets for the Leased Facilities. In the event of any such damage or destruction, the Facility Lease will continue in full force and effect and the Town waives any right to terminate the Facility Lease by virtue of any such damage or destruction. The Trustee cannot terminate the Facility Lease in the event of such damage or destruction.

In the event the Leased Facilities are not repaired or replaced during the period that proceeds of the Town's rental interruption insurance are available in lieu of related Base Rental Payments (the Town covenants to maintain rental interruption insurance in an amount equal to two years' Base Rental Payments) plus the period for which funds are available from the Reserve Account, or in the event that casualty insurance proceeds are insufficient to provide for complete repair of the Leased Facilities, there could be insufficient funds to make payments of principal of and interest to Certificate Owners in full. See Appendix A — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Facility Lease."

Limited Insurance

The Facility Lease provides that the Town may self-insure for fire and extended coverage, liability and worker's compensation insurance. The Facility Lease does not require the Town to maintain actuarially determined reserves to cover payments of claims pursuant to casualty and liability insurance deductibles, or for claims not covered by the liability and casualty insurance.

The casualty and liability insurance required by the Facility Lease will not cover losses due to earthquake unless such insurance is available at a commercially reasonable cost. As of the delivery date for the Certificates, the Town will not have purchased earthquake insurance for the Leased Facilities. See "SECURITY FOR THE CERTIFICATES — Insurance." In the absence of earthquake insurance coverage, damage or destruction of the Leased Facilities by earthquake would likely result in abatement of Base Rental Payments after all amounts in the Reserve Account are expended.

Limited Recourse on Default

If the Town defaults on its obligations to make Base Rental Payments with respect to the Leased Facilities, the Trustee will have the right to re-enter and re-let the Leased Facilities. In the event such re-letting occurs, the Town would be liable for any deficiency in Base Rental Payments that results therefrom. Alternatively, the Facility Lease provides that the Trustee may terminate the Facility Lease with respect to the Leased Facilities and proceed against the Town to recover damages pursuant to the Facility Lease. See Appendix A — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Facility Lease."

No assurance can be given that the Trustee will be able to re-let the Leased Facilities so as to provide rental income sufficient to pay the principal and interest with respect to the Certificates in a timely manner or that such re-

letting will not adversely affect the exclusion of interest thereon from gross income for federal or State tax purposes. The Trustee is not empowered to sell a fee simple interest in the Leased Facilities for the benefit of the owners of the Certificates. It is not certain whether a court would permit the exercise of the remedies of repossession and re-letting contained in the Facility Lease. Any suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

No Acceleration upon Default

In the event of a default, there is no available remedy of acceleration of the Certificates or of the total Base Rental Payments due over the remaining term of the Facility Lease. The Town will be liable only for Base Rental Payments on an annual basis and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Base Rental Payments.

Substitution of Leased Facilities

The Facility Lease provides that, upon satisfaction of certain conditions, the Town may substitute other real property for the Leased Facilities. See "THE LEASED FACILITIES" and Appendix A — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Facility Lease." Although the Facility Lease requires that the substitute property have an annual fair rental value at least equal to the maximum annual amount of Base Rental Payments and Additional Payments due thereunder, it does not require that such property have an annual fair rental value equal to the annual fair rental value of the Leased Facilities at the time of substitution. Thus, the Leased Facilities could be replaced with property having less annual fair rental value than the Leased Facilities. Such a replacement could have an adverse impact on the security for the Certificates, particularly if an abatement of Base Rental were to occur subsequent to such substitution. Furthermore, the Facility Lease does not require that the substituted property be of any particular type. Consequently, property could be substituted that, upon the occurrence of an event of default under the Facility Lease, could be more difficult to re-let than the initial Leased Facilities.

Loss of Tax Exemption

As discussed herein under "TAX EXEMPTION," interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were first delivered as a result of acts or omissions of the Town in violation of its covenants in the Trust Agreement and the Tax Certificate. Should such a violation occur and result in a loss of tax exemption, the Certificates are not subject to special prepayment and will remain outstanding until maturity or other prepayment under the Trust Agreement.

Bankruptcy

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement and Facility Lease may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) which governs the bankruptcy proceedings for public agencies such as the Town, there are no involuntary petitions in bankruptcy. If the Town were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facility Lease and the Trust Agreement, and from taking any steps to collect amounts due from the Town under the Facility Lease.

Natural Disasters

Property located within the Town may be subject to unpredictable seismic activity, fires, floods or other natural disasters.

The Town is located in close proximity to several seismically active earthquake faults, including the Hayward and San Andreas faults. The Town has experienced earthquakes with a Richter magnitude of 7.0 or greater and with the epicenter being within 100 miles of the Town within the San Francisco Bay Area. Following such earthquakes, the Town continued to function and continued providing essential public services to its citizens. The Town's building code requirements and policy of strict regulatory enforcement helps to limit earthquake damage.

Seismic upgrade improvements to Town Hall are included in the Town Hall Improvement Project, which will be funded with proceeds from the sale of the Certificates. While these improvements are designed to assure compliance with applicable seismic standards for public buildings, it remains possible that future earthquakes could damage the Leased Facilities and such damage could cause an abatement of Base Rental Payments.

Under the Facility Lease, the Town is not obligated to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Facilities unless it is available at a commercially reasonable cost. See Appendix A — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Facility Lease" herein for a discussion of the types of insurance coverage which the Town is required to maintain.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or Prepayment charges on (i) indebtedness approved by the voters prior to July 1, 1978 or (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of 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 may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster. These amendments taken singly or in the aggregate could serve to reduce the property tax revenues of the Town.

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city (including the Town), county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The “base year” for establishing this appropriations limit is the 1978-79 fiscal year, and the limit is adjusted annually to reflect changes in population, consumer prices and certain increases or decreases in the cost of services provided by these public agencies.

Appropriations of an entity of local government subject to Article XIII B include generally authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity and the proceeds of State subventions, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local governmental entity from (i) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (ii) the investment of tax revenues. Article XIII B provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIII B does not limit the appropriation of moneys to pay debt service or indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose. Furthermore, in 1990, Article XIII B was amended to exclude from the appropriations limit “all qualified capital outlay projects, as defined by the Legislature” from proceeds of taxes. The Legislature has defined “qualified capital outlay project” to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000.

The Town’s appropriation limit for the fiscal year ending June 30, 2009 was \$11,078,844, for which expenditures subject to the appropriation limitation were \$6,947,162. The Town’s appropriation limit for the fiscal year ending June 30, 2010 is \$11,199,825, for which expenditures subject to the appropriation limitation are \$5,927,257.

Proposition 62

On September 28, 1995, the California Supreme Court affirmed the lower court decision in Santa Clara County Local Transportation Authority v. Guardino, 11 Cal. 4th 220 (1995) (the “Santa Clara Case”). The action held invalid a half-cent sales tax to be levied by the Santa Clara County Local Transportation Authority because it was approved by a majority but not two-thirds of the voters in Santa Clara County voting on the tax. The California Supreme Court decided the tax was invalid under Proposition 62, a statutory initiative adopted at the November 4, 1986 election that (i) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (ii) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (iii) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (iv) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (v) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (vi) required that any tax imposed by a local governmental entity on or after October 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 and (vii) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Town management does not believe that Proposition 62 will have a material financial impact on existing Town sources of revenues at the present time. The requirements and prohibitions of Proposition 62 have generally been superseded by the enactment of Article XIII C of the California Constitution (Proposition 218), discussed next.

Article XIII C and Article XIII D of the State Constitution

An initiative measure entitled the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by the voters of the State of California at the November 5, 1996 general election. Proposition 218 added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Certain of the provisions of Proposition 218 relating to taxes, initiative powers, assessments and fees and charges are summarized below.

Section 2 of Article XIII C provides that “[n]o local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote.” Section 2 further requires approval by a majority vote of the voters for “. . . any general tax imposed, extended or increased, without voter approval, on or after January 1, 1995, and prior to the effective date of this Article.” The term “local government” for purposes of Article XIII C means “any county, city, and county, including a charter city or county, any special district, or any other local or regional government entity.” The Town has not enacted, imposed, extended or increased any tax without voter approval since January 1, 1995. The voter approval requirements of Article XIII C reduce the flexibility of the Town to raise revenues through general taxes, and no assurance can be given that the Town will be able to raise such taxes in the future to meet increased expenditure requirements.

Article XIII C also provides that the power of initiative shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C requires that the signature requirement for local government initiatives may not be higher than that applicable to statewide statutory initiatives. Therefore, local taxes, assessments and fee and charges levied by the Town may be reduced or repealed by an initiative which receives a majority vote.

Section 4 of Article XIII D provides new procedures and requirements for all assessments to be imposed by an agency. It states that “[a]n agency which proposes to levy an assessment shall identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed.” The term “agency” is defined to mean “. . . any levy or charge upon real property by an agency for a special benefit conferred upon the real property.” A “special benefit” is defined to mean “. . . a particular and distinct benefit over and above general benefits conferred on real property located in the district or to the public at large.” Article XIII D provides that any assessment imposed exclusively to finance the capital costs or maintenance and operation expenses for sidewalks, streets, sewers, water, flood control, drainage systems or vector control which is in effect on the effective date of Article XIII D need not comply with the provisions thereof pertaining to assessments. Under Article XIII D, however, stand-by charges, whether characterized as charges or assessments, are classified as assessments and cannot be imposed without compliance with the provisions of Article XIII D pertaining to assessments. Future increases in such assessments are subject to a majority protest procedure utilizing assessment ballots, as described in Article XIII D and its implementing legislation.

Section 6 of Article XIII D sets limitations on property-related fees and charges. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Section 6 of Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed property-related fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by the Town is ultimately determined to be a property-related “fee” or “charge” as defined in Article XIII D, the Town’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Section 6 of Article XIII D includes a number of limitations applicable to existing property-related fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service, (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed, (iii) the amount of a fee or charge imposed upon

any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted. The Town believes that all such property-related fees and charges that are currently imposed conform to these requirements.

Proposition 218 continues to be interpreted and applied by the courts. Although the Town does not currently anticipate that the provisions of Proposition 218 would adversely affect its ability to pay the Base Rental Payments under the Facility Lease as and when due and its other obligations payable from the General Fund, no assurance can be given regarding subsequent interpretation or application of Proposition 218 by the courts or the effect of Proposition 218 on the Town's finances.

California State Budget

The State of California is experiencing significant financial and budgetary stress. The State budget is affected by national and State economic conditions and other factors over which the Town has no control. The Governor signed the State fiscal year 2009-10 budget on July 28, 2009. The Town cannot predict whether the State, in the course of establishing its budget for 2010-11, may take actions that would adversely affect the financial condition of the Town.

Unitary Property

Less than 1% percent of property tax revenue of the Town is derived from unitary property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the Town) according to statutory formula generally based on the distribution of taxes in the prior year.

Future Initiatives

Article XIII A, Article XIII B, Proposition 62 and Articles XIII C and XIII D were adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the Town's revenues.

TAX EXEMPTION

In the opinion of Meyers, Nave, Riback, Silver & Wilson, a Professional Law Corporation, Special Counsel to the Town ("Special 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 with respect to the Certificates 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. Special Counsel is of the further opinion that interest with respect to the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. The proposed form of opinion of Special Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest with respect to the Certificates 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 Certificates is the first price at which a substantial amount of such

maturity of the Certificates 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 Certificates accrues daily over the term to maturity of such Certificates 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 Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates 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 prepayment date) (“Premium Certificates”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Certificates, like the Premium Certificates, the interest with respect to 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 Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates 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 with respect to obligations such as those evidenced by the Certificates. The Town has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest with respect to the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest with respect to the Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special 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 Special Counsel’s attention after the original date of execution and delivery of the Certificates may adversely affect the value of, or the tax status of interest with respect to, the Certificates. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that interest with respect to the Certificates 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 with respect to, the Certificates 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. Special Counsel expresses no opinion regarding any such other tax consequences.

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

Special Counsel’s engagement with respect to the Certificates ends with the original execution and delivery of the Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the Town or the Beneficial Owners regarding the tax-exempt status of interest with respect to the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the Town 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 obligations is difficult, obtaining an independent review of IRS positions with which the Town legitimately disagrees may not be

practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of Certificates presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the Town 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 with respect to the Certificates 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 November 5, 2007, the United States Supreme Court heard 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 obligations 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 Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or State tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

CONTINUING DISCLOSURE

In the Continuing Disclosure Certificate, the Town covenants for the benefit of holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the Town, if requested, by not later than February 1 following the end of its fiscal year, commencing February 1, 2011 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report, if requested, and notices of material events will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its EMMA System or such other electronic system as may be designated by the MSRB or the Securities and Exchange Commission (the “SEC”) as the repository of disclosure information for purposes of Rule 15c2-12(b)(5) (the “Rule”) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time. The specific nature of the information to be contained in the Annual Report, if any, and the list of events the occurrence of which may lead to a notice of material event is described in Appendix G — “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. These covenants will be made in order to assist the Underwriter in complying with the Rule. Neither the Authority nor the Town has ever failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. For a detailed description of the Town’s responsibilities under the Continuing Disclosure Certificate see Appendix G — “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

LITIGATION

To the best knowledge of the Town Attorney after reasonable investigation, no litigation is pending or threatened concerning the validity of the Site Lease, the Facility Lease, the Trust Agreement or the Certificate Purchase Contract, and an opinion of the Town Attorney to that effect will be rendered at the time of the original delivery of the Certificates.

FINANCIAL STATEMENTS

The audited financial statements (the “Financial Statements”) of the Town for the year ended June 30, 2009, included in Appendix C to this Official Statement, have been examined by Mann, Urrutia, Nelson, CPAs and Associates, LLP, California, independent certified public accountants (the “Auditors”), to the extent and for the periods indicated in its report dated January 4, 2010 (the “Audit Report”), which also appears in Appendix C hereto. The Auditors have not undertaken to update the information in the Audit Report for events occurring subsequent to the date of the Audit Report. The financial statements and the Audit Report should be read in their entirety. The Town believes that there has not been any material adverse change in the financial condition of the Town since June 30, 2009.

The audited financial statements of the Town for prior years are on file for public inspection with the Administrative Services Department. The Auditor has not reviewed or expressed any opinion regarding any portion of this Official Statement other than the Financial Statements as stated in the Audit Report.

UNDERWRITING

The Certificates will be sold by the Town to Stone & Youngberg LLC, as underwriter (the "Underwriter"), under a Certificate Purchase Contract, by and between the Town and the Underwriter, pursuant to which the Underwriter agrees to purchase all of the Certificates for an aggregate purchase price of \$1,521,562 (representing the par amount of the Certificates of \$1,525,000, plus a premium of \$29,562 and less underwriter's discount of \$33,000).

The initial public offering prices to be stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Certificates to certain dealers, dealer banks, banks acting as agents and others at prices lower than said public offering prices.

PROFESSIONAL FEES

Fees payable to the Underwriter and to Meyers, Nave, Riback, Silver & Wilson, a Professional Law Corporation, as Special Counsel and Disclosure Counsel to the Town, are contingent upon the sale, execution and delivery of the Certificates.

RATING

Standard & Poor's Ratings Services ("S&P") has assigned a rating of "AA+", to the Certificates. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor's Authority, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

LEGAL MATTERS

The validity of the Certificates is subject to the approval of Meyers, Nave, Riback, Silver & Wilson, a Professional Law Corporation, Oakland, California, acting as Special Counsel to the Town. Special Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement and expresses no opinions as to the matters set forth herein. Its opinion will be substantially in the form set forth in Appendix D attached hereto. Certain legal matters will be passed upon for the Town by McDonough, Holland & Allen, Oakland, California, as Town Attorney.

MISCELLANEOUS

All of the preceding summaries of the Facility Lease, the Trust Agreement and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Town for further information in connection therewith. Any statements made in this Official Statement involving matters of opinion or of estimates,

whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The Official Statement does not constitute a contract with the purchasers of the Certificates.

The execution and delivery of this Official Statement by its Town Manager have been duly authorized by the Town.

TOWN OF MORAGA

By: /s/ Michael Segrest
Town Manager

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussions of selected features of the Facility Lease and the Trust Agreement are made subject to all of the provisions of the Facility Lease and the Trust Agreement. This summary does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete text of the Facility Lease and the Trust Agreement, copies of which are available upon request from the office of the Town Clerk, Town of Moraga.

DEFINITIONS

The following definitions are as set forth in the Trust Agreement and/or the Facility Lease:

“Additional Payments” means all amounts payable by the Town under the Facility Lease other than Base Rental Payments.

“Architects” means the architects, engineers or designers of the Town Hall Improvement Project, a component of the Project, and any successor or successors to any thereof.

“Authorized Defeasance Securities” means (a) non-callable direct obligations of the United States of America (“Treasuries”), (b) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as a custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated or (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s Corporation and Moody’s Investors Service, respectively, at the time of purchase or investment.

“Authorized Representative” for purposes of the Trust Agreement (a) as to the Town, means the Mayor, the Town Manager, the Administrative Services Director or any other person designated in writing by the Town Council as an Authorized Representative of the Town for purposes of the Trust Agreement, and (b) as to the Authority, means the President, the Executive Director, the Chief Financial Officer or any other person designated in writing by the Board of Directors of the Authority.

“Base Rental Payments” means the scheduled semi-annual payments to be made by the Town under the Facility Lease.

“Business Day” means any day other than a Saturday or Sunday or day upon which the Corporate Trust Office is authorized by law to remain closed.

“Certificates” means the Town of Moraga 2010 Certificates of Participation authorized by and at any time Outstanding under the Trust Agreement and executed and delivered in accordance with the terms thereof. Serial Certificates means Certificates with respect to which no sinking fund payments are provided.

“Certificate of Completion” means a Certificate of the Town certifying that the Project has been completed, stating the date of such completion and stating that all of the Project Costs thereof and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Improvement Fund is to be maintained in the full amount of such claims until such dispute is resolved).

“Certificate Year” means the 12-month period ending on October 1 of each year to which reference is made, except that the initial Certificate Year for the Certificates shall commence on the Closing Date and end on October 1, 2010.

“Closing Date” means the date on which the Certificates are delivered to the original purchaser thereof in exchange for payment of the purchase price for the Certificates.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Construction Contract” means any contract between the Town and a Contractor or seller for the construction or acquisition of any portion of the Project.

“Contractor” means the construction contractor performing services under a Construction Contract for any portion of the Project and any successor thereto.

“Corporate Trust Office” means the corporate trust office of the Trustee located at One California Street, Suite 1000, San Francisco, California 94111 or such other office as may be designated in writing from time to time by the Trustee; and with respect to the delivery of the Certificates, so long as U.S. Bank National Association is the Trustee, such other office as may be designated in writing from time to time by the Trustee.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the Town and related to the authorization, execution and delivery of the Facility Lease, the Trust Agreement and the execution, sale and delivery of the Certificates, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Certificates, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

“Event of Default” has the meaning described below under “Event of Default”.

“Facility Lease” means that certain lease, entitled “Facility Lease,” by and between the Authority as lessor and the Town as lessee dated as of February 1, 2010, as supplemented, modified or amended from time to time pursuant to the provisions of the Trust Agreement and the Facility Lease.

“Financial Newspaper” means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news and selected by the Trustee, which shall be under no liability by reason of such selection.

“Fiscal Year” means the 12-month period terminating each June 30, or any other annual accounting period selected and designated by the Town as its Fiscal Year in accordance with applicable law.

“Independent Financial Advisor” means financial advisor or financial advisory firm of recognized national standing in the field of providing financial advice to local government agencies with respect to municipal bond transactions or like municipal securities transactions, appointed and paid by the Town, and who, or each of whom (1) is in fact independent and not under the domination of the Town; (2) does not have a substantial financial interest, direct or indirect, in the operations of the Town or the Certificates; and (3) is not connected with the Town as a member, officer or employee of the Town, but who may be regularly retained to provide financial advisory services to the Town.

“Information Services” means Financial Information, Inc.’s “Daily Called Certificate Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 17302, Attention: Editor; Kenny Information Services’ “Called Certificate Service,” 65 Broadway, 16th Floor, New York, New York 10006; Moody’s “Municipal and Government,” 575077 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Municipal News Reports; and Standard & Poor’s “Called Certificate Record,” 55 Water Street, New York, New York 10041; or to such other addresses and/or such other services providing information with respect to called certificates as the Town may designate in a Written Request of the Town delivered to the Trustee.

“Inspectors’ Certificate” means a certificate signed by the Architects or by a duly authorized construction inspector or inspectors, who may be an employee of the Town, with the approval of the Town Manager of the Town or of the Town Manager’s duly authorized representative, endorsed thereon.

“Interest Payment Date” means a date on which interest with respect to the Certificates is paid, being each April 1 and October 1, commencing October 1, 2010.

“Maximum Annual Debt Service” means the sum of (1) the interest falling due with respect to then Outstanding Certificates, assuming that all then Outstanding Serial Certificates are retired as scheduled, excluding any interest funded from the proceeds of any series of Certificates, if any, and deposited in the Interest Account to pay interest, and (2) the principal amount with respect to the then Outstanding Serial Certificates falling due by their terms; all as computed for the twelve-month period ending October 1 in which such sum is largest. Annual Debt Service means the sum of said items (1) and (2), as computed for the 12-month period ending October 1 to which reference is made; Debt Service means the sum of said items (1) and (2); and Average Annual Debt Service means total Debt Service, divided by the number of 12-month periods ending on October 1 (including any fractional period) remaining from the first maturity date of any Outstanding Certificate to the last maturity date of any Outstanding Certificate.

“Moody’s Investors Service” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s Investors Service” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Town.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds or like municipal securities, appointed and paid by the Town.

“Outstanding” at any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except: (1) Certificates previously cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates paid or deemed to have been paid as described below under “Defeasance”; and (3) Certificates in lieu of or in substitution for which other Certificates have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“Owner” means any person who is the registered owner of any Outstanding Certificate.

“Permitted Encumbrances” means (1) Items 1-6, inclusive, at pages 2 and 3, and Item 7, at page 3 of that certain Preliminary Report, dated as of December 3, 2009, issued by First American Title Insurance Company; Order No. NCS-422416-CC; (2) the Site Lease; (3) the Facility Lease, as it may be amended from time to time in accordance with its terms; and (4) this Trust Agreement, as it may be amended from time to time in accordance with its terms and (5) the respective month-to-month tenancies presently in effect for portions of the Leased Facilities .

“Permitted Investments” means any of the following to the extent then permitted by the laws of the State and the Town’s adopted Investment Policy, as shown by a Certificate of the Town delivered to the Trustee:

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

(2) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC) participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) senior debt obligations;

(b) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;

(d) Federal National Mortgage Association (FNMA) senior debt obligations mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(e) Government National Mortgage Association (GNMA) senior debt obligations mortgage-backed securities.

(3) Bankers' acceptances (having maturities of not more than 180 days) of any bank the short-term obligations of which are rated "A-1" or better by Standard & Poor's Corporation;

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

(5) Commercial paper (having original maturities of not more than 270 days) rated "A-1" by Standard & Poor's Corporation and "Prime-1" by Moody's Investors Service;

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

Permitted Investments may not include corporate debt other than commercial paper rated in the highest category by the Rating Agencies. Funds in the Reserve Account may be invested only in Permitted Investments with a term to maturity not exceeding five years.

"Project" means the acquisition of real property and the improvements thereon at 331 Rheem Boulevard, Moraga (the "Acquisition Component"), and construction and installation of improvements, including seismic upgrades to the building situated on the Site, currently owned, occupied and in use by the Town as its Town Hall, and remodeling to a portion of the second floor interior space of the building (the "Town Hall Improvement Component").

"Project Costs" means all costs of acquisition, design and construction of the Project and of expenses incident thereto (or for making reimbursements to the Town or any other person, firm or corporation for such costs theretofore paid by such payor), including, but not limited to, architectural and engineering fees and expenses, interest during construction, furnishings and equipment, tests and inspection, surveys, land acquisition, insurance premiums, losses during construction not insured against because of deductible amounts, costs of accounting, feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, costs of escrow for the Acquisition Component, printing costs, reproduction and binding costs.

"Rating Agencies" means Standard & Poor's Corporation and Moody's Investors Service.

"Record Date" means, with respect to an Interest Payment Date, the 15th day of the month immediately preceding such Interest Payment Date, irrespective of whether such date is a Business Day.

“Related Documents” means the Site Lease, the Facility Lease and the Trust Agreement.

“Reserve Account Requirement” means the least of (i) the Maximum Annual Debt Service, (ii) 125% of Average Annual Debt Service, or (iii) 10% of the proceeds derived from the sale of the Certificates, all as calculated as of each October 15. The Reserve Account Requirement initially applicable to the Certificates is \$117,618.76.

“Revenues” means (i) all Base Rental Payments and other payments paid by or for the benefit of the Town and received by the Trustee, as irrevocable assignee and transferee of the Authority pursuant to the Facility Lease (but not Additional Payments), and (ii) all interest or other income from any authorized investment of any money in any fund or account established pursuant to the Trust Agreement or the Facility Lease (other than the Rebate Fund, if any).

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attn: Call Notification Department, Fax (212) 855-7232, in accordance with the then current guidelines of the Securities and Exchange Commission, to such other addresses or such other securities depositories, or to no such depositories, as the Town may designate in a Written Request of the Town delivered to the Trustee.

“Site” means the improved real property described as such in the Site Lease and the Facility Lease, together with any real property subsequently added thereto.

“Site Lease” means that certain Site Lease, between the Town, as Site lessor, and the Authority, as Site lessee, dated as of February 1, 2010, pursuant to which the Town has granted a leasehold interest to the Authority in the Site.

“Standard & Poor’s Corporation” means Standard & Poor’s Corporation, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation is dissolved or liquidated or can no longer perform the functions of a securities rating agency, then the term Standard & Poor’s Corporation shall be deemed to refer to any other nationally recognized securities rating agency selected by the Town.

“State” means the State of California.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority, the Town and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

“Tax Certificate” means the Tax Certificate delivered by the Town at the time of the execution and delivery of a series of Certificates, as the same may be amended or supplemented in accordance with its terms.

“Town” means the Town of Moraga, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and the laws of the State.

“Town Council” means the members of the legislative body of the Town, as duly elected or appointed from time to time.

“Trust Agreement” means the Trust Agreement, dated as of February 1, 2010, among the Authority, the Town and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions thereof.

“Trustee” means, initially, U.S. Bank National Association, or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

“Written Request of the Authority” means an instrument in writing signed by an Authorized Representative of the Authority.

“Written Request” of the Town means an instrument in writing signed by an Authorized Representative of the Town.

TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.

The Trust Agreement between the ABAG FINANCE AUTHORITY FOR NON PROFIT CORPORATIONS, a joint exercise of powers authority (“Authority”) and the Town of Moraga (the “Town”), is dated as of February 1, 2010 (the “Trust Agreement”). The Trust Agreement has been approved as to form by the Authority and the Town and will be executed prior to the delivery of the Certificate.

Handling of Certificates

Except as the Certificates are handled as described in Appendix F of this Official Statement (“Book-Entry Only System”), the following paragraphs describe how Certificates will be handled under various situations.

Transfers. Any Certificate, in accordance with its terms, may be transferred in the books required to be kept by the Trustee by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Certificate(s) are surrendered for transfer, the Trustee will execute and deliver to the transferee a new Certificate(s) of the same maturity for a like aggregate principal amount in authorized denominations. The Owner requesting such transfer must pay the Trustee any tax or other governmental charge required to be paid with respect to such transfer before it may occur.

Exchanges. Any Certificate may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Certificates of the same maturity and in authorized denominations. The Owner requesting such exchange must pay the Trustee any tax or other governmental charge required to be paid with respect to such exchange before it may occur.

Black-Out Periods. Once notice of the prepayment of a Certificate has been mailed, or during the period established by the Trustee for selection of Certificates for prepayment, the Trustee will not be required to register the transfer of or exchange such Certificate(s).

Ownership. The Town and the Trustee may deem and treat the registered Owner of any Certificates as the absolute owner of such Certificates for the purpose of receiving payment with respect thereto and for all other purposes, whether or not any payments with respect to such Certificates are overdue, regardless of any notice or knowledge to the contrary; and payment of the interest, principal and any prepayment premium with respect to such Certificates will be made only to such registered Owner, and such payments will satisfy and discharge liability evidenced by such Certificates to the extent of such payments.

Registration. At its Corporate Trust Office, the Trustee will keep records of the registration and transfer of the Certificates which during normal business hours will be available for inspection by the Town, and upon presentation for transfer or exchange as described above, the Trustee under its such reasonable regulations, will register or transfer the Certificates in such records.

Mishaps. If any Certificate is mutilated and surrendered to the Trustee for exchange and substitution, then at the Owner’s expense, the Trustee will execute and deliver a new Certificate of like tenor and amount, and the Trustee will cancel the mutilated Certificate. If any Certificate is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if the Trustee considers the evidence satisfactory and the Trustee is indemnified to its satisfaction, then at the Owner’s expense the Trustee will execute and deliver a new Certificate of like tenor in lieu of and in substitution for the Certificate so lost, destroyed or stolen.

Status. Any Certificate executed and delivered in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates. Neither the Town nor the Trustee shall be required to treat both the original Certificate and any replacement Certificate as both being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered or for the purpose of determining any percentage of Certificates Outstanding, but both the original and replacement Certificate shall be treated as one and the same.

Validity. The validity of the execution of the Certificates and the interests evidenced thereby will not depend on or be affected by the proceedings taken by the Town for the financing of the Project or by any contracts made by the Town or its agents in connection therewith, nor will such validity depend upon the completion of the Project or performance by any person, firm or corporation of any obligation with respect thereto. The Certificates recite that they are executed and delivered under the Trust Agreement, which is conclusive evidence of their validity and the regularity of their execution, and all Certificates and the interests represented thereby will be incontestable from and after their execution.

Cancellation and Destruction. All Certificates acquired by the Town, whether by purchase or gift or otherwise, will be surrendered to the Trustee for cancellation. Whenever provision is made for returning any Certificates which have been cancelled to the Town under the Trust Agreement, the Town may direct the Trustee to destroy such Certificates and furnish to the Town a certificate of such destruction.

Funds and Accounts

Initial and Continuing Fund Activity. Upon receipt of money in payment of the purchase price of the Certificates in the amount of \$1,521,562, the Trustee will set aside and deposit or transfer the money as follows:

(a) Reserve Account. First, the Trustee will deposit \$117,618.76 in the Reserve Account, satisfying the initial Reserve Account Requirement. On or before each April 1 and October 1, the Trustee will transfer and deposit in the Reserve Account any balance remaining in the Revenue Fund after satisfying the requirements described below with respect to the Interest Account and the Principal Account to the extent needed to increase the balance in the Reserve Account to the Reserve Account Requirement then applicable shall be deposited in the Reserve Account. The Trustee will withdraw and use all money in the Reserve Account solely to replenish the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such funds, except that so long as the Town is not then in default under the Facility Lease or the Trust Agreement, the Trustee will transfer and deposit any cash amounts remaining in the Reserve Account in excess of the Reserve Account Requirement as of October 15 of any year first in the Rebate Fund held by the Trustee to the extent required to satisfy any Rebate Requirement (as defined in the Tax Certificate), and then the Trustee will transfer any remaining balance to the Town for any legal purpose to be determined by the Town in its sole discretion. Whenever determination of the amount on deposit in the Reserve Account becomes pertinent, and in any event on or before each April 1 and October 1, the Trustee will make the determination by valuing any investments of Reserve Account moneys at market value using any computerized securities pricing services that may be available, including those available through the Trustee's regular accounting system.

(b) Delivery Costs Fund. Next, the Trustee will deposit \$53,943.24 in the Delivery Costs Fund, to be withdrawn by the Trustee at the Written Request of the Town to pay the Delivery Costs of the Certificates. Each Written Request must state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. When six months have elapsed since the Closing Date, or earlier upon Written Request of the Town, any remaining balance in the Delivery Costs Fund will go to the Town for deposit in the Improvement Fund, and the Delivery Costs Fund shall be closed. Any invoices for Delivery Costs received by the Town after closure of the Delivery Costs Fund will be paid by the Town from the Improvement Fund or any other fund or account of the Town lawfully available for such purpose.

(c) In lieu of transfer to the Town for deposit in the Improvement Fund, the Trustee will transfer by wire transfer the amount of \$700,000.00 to the account of Old Republic Title Company, as requested by the Town and in accordance with wire instructions to be provided by the Town, for credit to the escrow by which the Town is implementing that component of the Project consisting of the "Acquisition Component," namely the acquisition of real property and the improvements thereon at 331 Rheem Boulevard, Moraga,

(d) Improvement Fund. After the Trustee has made the deposits described in paragraphs (a) through (c) above, the Trustee will transfer the balance of \$650,000 to the Town for the Town to deposit and hold in the Improvement Fund. The Town agrees to maintain the Improvement Fund until all costs and expenses related to the Project have been paid in full. The Town will apply all amounts in the Improvement Fund to pay Project Costs and to expenses incident thereto (or to reimburse the Town or any other person for such costs otherwise paid).

Pledge of Revenues; Revenue Fund. The Town has covenanted in the Facility Lease to take all necessary action to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets and to make necessary appropriations for all Base Rental Payments and Additional Payments. The Town acknowledges that the entitlement of the Authority to receive the Base Rental Payments has been irrevocably assigned and transferred to the Trustee and that the Base Rental Payments represent the primary intended source of Revenues for deposit into the Revenue Fund. All Revenues and any other amounts (including proceeds of the sale of the Certificates) received by the Trustee and deposited and held in any fund or account established and maintained by the Trustee under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal with respect to the Certificates, and the Revenues may not be used for any other purpose while any of the Certificates remain Outstanding except as permitted in the Trust Agreement. This pledge shall constitute a pledge of and charge and lien upon the Revenues subject to no prior pledge created by State law or contract, and all other money on deposit in the funds and accounts described above (excluding amounts on deposit in the Rebate Fund) are pledged to the payment of the interest and principal with respect to the Certificates. Whenever the Trustee receives funds representing Revenues (whether from the Town or any other source), the Trustee will deposit them in the Revenue Fund, which the Trustee agrees to maintain and hold while any Certificates remain Outstanding. All Revenues are to be accounted for through and held in trust in the Revenue Fund, and the Town will have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement. All Revenues are to be accounted for separately and apart from all other accounts, funds, money or other resources of the Trustee and handled through Trustee-held accounts as follows:

(a) Interest Account. The Interest Account has first priority for the deposit of Revenues. On each April 1 and October 1, commencing October 1, 2010, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which, together with the balance on deposit therein (and available for such purposes), is equal to the amount of interest becoming due and payable with respect to all Outstanding Certificates on such April 1 or October 1, as applicable. No deposit need be made in the Interest Account if its balance is at least equal to and available for payment of the aggregate amount of interest becoming due and payable with respect to all Outstanding Certificates on the applicable Interest Payment Date. The Trustee will withdraw and use Interest Account money to pay interest with respect to the Certificates as it becomes due and payable (including accrued interest on any Certificates purchased or prepaid prior to maturity).

(b) Principal Account. The Principal Account has second priority to the Interest Account for the deposit of Revenues. On each October 1, commencing October 1, 2010, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account that amount of money which, together with the balance on deposit therein (and available for such purposes), is equal to the principal amount with respect to all Outstanding Serial Certificates maturing on such October 1. No deposit need be made in the Principal Account if its balance is at least equal to and available for payment of the aggregate amount of the principal of all Outstanding Serial Certificates maturing by their terms on such October 1. The Trustee will withdraw and use all money in the Principal Account solely to pay the principal with respect to the Certificates as it shall become due and payable, whether at maturity or prepayment.

Other Fund Provisions. Amounts in the Revenue Fund, Principal Account, Interest Account and Reserve Account may be used by the Trustee to reimburse the Town for any rental paid under the Facility Lease for a period during which rent is abated and for which no other moneys are legally available. The Trust Agreement also provides for the handling of insurance proceeds and the investments of money in accounts and funds as follows:

(a) Insurance Proceeds. In the event of any damage to or destruction of or defect in title to any part of the Leased Facilities covered by insurance, the Town will cause any insurance proceeds to be used to repair, reconstruct or replace the affected part of the Leased Facilities to at least the same good order, repair and condition as was the case prior to the damage or destruction, to the extent possible with the amount of available proceeds, and toward that

end the Trustee will receive and hold such proceeds in a special fund separate and apart from all other funds and will invest the proceeds in Permitted Investments pursuant to the Written Request of the Town. Withdrawals of proceeds and investment earnings in the special fund will occur from time to time upon the filing with the Trustee of a Written Request of the Town, stating that the Town has expended moneys or incurred liabilities in a stated amount for the purpose of the repair, reconstruction or replacement of the Leased Facilities, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The Town shall file a Written Request with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the Town, or from any combination thereof, are available in the event the Town elects to repair, reconstruct or replace the Leased Facilities. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance shall be treated and applied by the Trustee as Base Rental Payments. But if the proceeds of such insurance together with any other moneys legally available for such purpose are sufficient to prepay all Base Rental Payments, in case of damage or destruction in whole of the Leased Facilities, or prorated Base Rental Payments, in the case of partial damage or destruction of the Leased Facilities, then the Town may opt not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities and instead cause the Trustee to apply the available funds for the prepayment of Outstanding Certificates. The Town's option does not apply in the case of partial damage or destruction of the Leased Facilities unless the Base Rental Payments on the undamaged portion of the Leased Facilities will be sufficient to pay the initially scheduled principal and interest with respect to the Certificates remaining unpaid after such partial prepayment.

(b) Investments. As a general rule, all Trustee-held funds are to be invested in Permitted Investments at the Written Request of the Town. In the absence of a Written Request of the Town, the Trustee will invest in the Permitted Investments described in clause (4) of the definition of "Permitted Investments" (see "Certain Defined Terms" above). As nearly as practicable, such investments are to mature on or before the dates on which funds are anticipated to be needed for disbursement; provided, however, that no Reserve Account investments may have a maturity of more than five years. All interest or profits received prior to the completion of the Leased Facilities on any money so invested will be transferred to the Town for deposit in the Improvement Fund, and all interest or profits received after such completion will be deposited first in the Reserve Account, to the extent necessary to make amounts on deposit in the Reserve Account equal to the Reserve Account Requirement then determined, with any excess to be transferred to the Town. The Trustee is not liable for any investment losses. The Trustee and its affiliates may act as sponsor, principal or agent with respect to the making of any Permitted Investments. The Trustee may commingle monies in funds and accounts for investment purposes. The Trustee will furnish the Town periodic cash transaction statements which include detail for all investment transactions made by the Trustee.

Certain Covenants

Project Completion. The Town will cause the Project to be acquired and constructed with all practicable dispatch, and such acquisition and construction will be made in an expeditious manner and in conformity with the law so as to complete the Project as soon as possible. Upon completion of the Project, the Town must deliver to the Trustee a Certificate of Completion, together with an Inspectors' Certificate stating the fact and date of such completion, stating that all costs of construction and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Improvement Fund is to be maintained in the full amount of such claims until such dispute is resolved). Together with delivery of the Certificate of Completion, the Town must transfer any remaining balance in the Improvement Fund and not needed for Improvement Fund purposes (such as retentions) to the Trustee for deposit first in the Reserve Account to the extent necessary to make the amount on deposit therein equal the Reserve Account Requirement then determined, with any remaining excess to be deposited in the Revenue Fund.

Punctuality. The Trustee will punctually pay from Revenues the interest, the principal of and prepayment premiums, if any, to become due with respect to every Certificate in strict conformity with the terms of the Trust Agreement and of the Certificates, and both the Trustee and the Town will faithfully observe and perform all the agreements and covenants to be observed or performed by the Trustee and the Town, respectively, contained in the Trust Agreement or in the Certificates.

Priority. No parity pledge of or any parity charge or lien on Revenues is permitted except as provided in the Trust Agreement, and the Trustee will not execute or deliver any certificates with respect to which payments

from the Revenues are on parity with payments in respect of the Certificates or secured by a pledge of or charge or lien upon the Revenues other than with respect to the Certificates.

Rebate Fund. In addition to the other funds mandated by the Trust Agreement, the Trustee will establish and maintain the Rebate Fund separate and apart from any other fund or account. The Trustee will deposit amounts made available for the Rebate Fund, either by transfer of excess funds from the Reserve Account or funds from the Town, and from no other source. The Trustee will hold deposits in the Rebate Fund in trust to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. The Rebate Fund is not to be funded from pledged Revenues, investment earnings on other Trustee-held funds or any proceeds of insurance or of remedies exercised in the case of default. The Trustee will administer the Rebate Fund under written directions of the Town and will have no liability or responsibility to enforce the Town's compliance with the terms of the Tax Certificate (see "Facility Lease – Tax Certificate" below). When no Certificates remain Outstanding, the Trustee's fees and expenses have been paid or provided for and the Rebate Requirement has been satisfied, the Trustee will withdraw any remainder in the Rebate Fund and transfer it as the Town may direct.

Tax Compliance. The Town covenants to comply with the provisions and procedures of the Tax Certificate and to direct the Trustee to take any action that the Tax Certificate requires of the Trustee. More specifically, the Town covenants not to use or authorize any use of the Site or the Leased Facilities which will cause the Certificates or the rights evidenced thereby to be "private activity bonds" subject to federal income taxation by reason of Section 141 of the Code. The Town will not use or permit the use of any proceeds of sale of the Certificates or any funds of the Town, directly or indirectly, to acquire any securities or obligations, and will not take or permit any other action or actions, which would cause any Certificate or the rights evidenced thereby to be an "arbitrage bond" within the meaning of Section 148 of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder. The Town will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations, and the Town will comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Certificates and the rights evidenced thereby. If the Town determines that it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Town will provide instructions for the Trustee to act upon as may be necessary.

Records. The Town will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books will be available for inspection by the Trustee (who is has no duty to inspect), at reasonable hours and under reasonable conditions. Within 180 days after the close of each Fiscal Year, the Town will furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Town shall also keep or cause to be kept such other information as required under the Tax Certificate. The Trustee shall have no duty to review or examine such statements or other information.

Legal Proceedings. The Town will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Town to fulfill its obligations under the Trust Agreement or the Facility Lease; provided that the Trustee or any affected Owner may opt to appear in and defend any such suit, action or proceeding. The Town will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Town, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement or the Facility Lease, except for any loss, cost, damage or expense resulting from the negligence or willful misconduct by the Trustee. These covenants will remain in effect after no Certificates remain Outstanding.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Town will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Owners all rights, interests,

powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

Limitations on Amendments. The Town will not supplement, amend, modify or terminate any of the terms of the Facility Lease or the Site Lease, or consent to any such supplement, amendment, modification or termination, without the written consent of the Trustee. The Trustee shall give such written consent only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security provided under the Trust Agreement for payments with respect to the Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in principal amount of the Certificates then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of Base Rental Payments to be made by the Town pursuant to the Facility Lease or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the Base Rental Payments, in each case without the written consent of all of the Owners of the Certificates then Outstanding.

The Trustee

U.S. Bank National Association will serve as the initial Trustee for the Certificates for the purpose of receiving all money which the Town is required to deposit with the Trustee under the Trust Agreement and for allocating, applying and using such money as provided therein and for the purpose of paying the interest, and principal and prepayment premiums, if any, with respect to the Certificates presented for payment at the Corporate Trust Office, with the rights and obligations provided therein. The Town will at all times maintain a Trustee having a corporate trust office in California.

Removal and Replacement. Unless an Event of Default is in effect, the Town may remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto; provided that any such successor must be a bank or trust company with a combined capital (excluding borrowed capital) and surplus of at least \$50,000,000 and be subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank or trust company will be determined with reference to its combined capital and surplus as set forth in its most recent report of condition so published.

Resignation and Replacement. The Trustee may resign by giving written notice to the Town and by mailing by first class mail to the Owners notice of such resignation. Upon receiving such notice of resignation, the Town must promptly appoint a successor Trustee. Any removal or resignation of a Trustee and appointment of a successor Trustee will take effect only upon the acceptance of appointment by the successor Trustee. The successor Trustee will send notice of its acceptance by first class mail to the Owners. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

Standard of Care. Prior to any Event of Default, and after the curing or waiver of all Events of Default that may have occurred, the Trustee will perform only its specified duties under the Trust Agreement, and no implied duties or obligations shall be read into the Trust Agreement. While any Event of Default is in effect and has not been cured or waived, the Trustee will exercise its rights and powers under the Trust Agreement and use the same degree of care and skill in such exercise as a reasonable person would exercise or use under the circumstances in the conduct of such person's own affairs.

Limited Liability and Role. The recitals of facts, agreements and covenants in the Trust Agreement and in the Certificates are recitals of facts, agreements and covenants of the Town, and the Trustee assumes no responsibility for their correctness, nor does the Trustee make any representation as to the sufficiency or validity of the Trust Agreement, the Facility Lease or the Certificates, and the Trustee has no responsibility except in connection with the rights or obligations assigned to or imposed upon it under the Trust Agreement, in the

Certificates or in law or equity. The Trustee will have no liability in connection with the performance of its duties under the Trust Agreement except for its own negligence or willful misconduct. The Trustee need not recognize any person as the Owner of a Certificate until such Certificate is submitted for inspection, if required, and such Owner's title thereto satisfactorily established, if disputed. The Trustee will not be liable for any error of judgment made in good faith unless the Trustee is proved negligent in ascertaining the pertinent facts. The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement. The Trustee has no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Trust Agreement unless such Owners offer the Trustee reasonable security or indemnity against related costs, expenses and liabilities. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or prepayment premium, if any, with respect to the Certificates from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties under the Trust Agreement. Unless the Trustee is specifically notified in writing at the Corporate Trust Office of an Event of Default, the Trustee is not required to take notice or be deemed to have knowledge of any Event of Default except failure by the Town to make any Base Rental Payment when due. The Trustee has no obligation to ascertain or inquire about the performance or observance of any of the terms, conditions, covenants or agreements of the Trust Agreement, the Facility Lease, the Tax Certificate or any other documents executed in connection with the Certificates, or as to the existence of a default or Event of Default thereunder. The Trustee has no responsibility for the validity or effectiveness of any collateral given to or held by it. The Trustee will not be concerned with or accountable to anyone for the subsequent use or application of any moneys released or withdrawn in accordance with the provisions of the Trust Agreement. The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Town or Town of the Leased Facilities. In no event will the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Lease or the Trust Agreement for the existence, furnishing or use of the Leased Facilities. The Trustee will be protected in acting upon any notice, resolution, requisition, request (including any Written Request of the Town), consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Town, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Trust Agreement in good faith and in accordance therewith. Whenever in the administration of its rights and obligations under the Trust Agreement the Trustee deems it necessary or desirable that a matter be established or proved prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof is specifically prescribed in the Trust Agreement) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Town, which certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable. The Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Trust Agreement or in the exercise of its rights or powers. The Trustee has no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

Compensation and Indemnification. In accordance with its proposal for compensation to which the Trustee is entitled as consideration for providing the services specified by the Trust Agreement, the Town covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, compensation for all services rendered by it in the exercise and performance of any of the powers and duties of the Trustee under the Trust Agreement, and subject to the provisions of the Trustee's proposal, the Town will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any expense, disbursement or advance due to the Trustee's negligence or willful misconduct. To the extent permitted by law, the Town will indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with the acceptance or administration of the

trusts created by the Trust Agreement, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers thereunder. These rights of the Trustee and obligations of the Town will survive the discharge of the Trust Agreement, the Certificates and the rights evidenced thereby and the resignation or removal of the Trustee.

Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company satisfies the qualifications specified under the Trust Agreement, will automatically become the Trustee's successor.

Amendments. The Trust Agreement and the rights and obligations of the Town and of the Owners may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, excluding Certificates owned by or for the Town, are filed with the Trustee. No such amendment may (1) extend the maturity of or reduce the interest rate or amount of interest or principal or prepayment premium, if any, with respect to any Certificate without the express written consent of the Owner of such Certificate, or (2) permit the creation by the Town of any pledge of or charge or lien upon the Revenues superior to the pledge, charge and lien created by the Trust Agreement for the benefit of the Certificates, or (3) reduce the percentage of Certificates required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the Town without their prior written consent, respectively. The Owners need not approve any particular form of Supplemental Trust Agreement; their approval of the substance thereof will suffice.

The Trust Agreement and the rights and obligations of the Town and of the Owners may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes –

- (a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Town other agreements and covenants thereafter to be performed by the Town, or to surrender any right or power reserved therein to or conferred therein on the Town;
- (b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Town may deem desirable or necessary and not inconsistent therewith; or
- (c) to add to the agreements and covenants required therein, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Promptly after the execution by the Town and the Trustee of any Supplemental Trust Agreement, the Trustee will mail a notice on behalf of the Town, setting forth in general terms the substance of such Supplemental Trust Agreement, to the Owners at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement. Certificates owned or held by or for the account of the Town will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates for purposes of amendments or supplements to the Trust Agreement. In any event, any Owner may accept any amendment as to the particular Certificates held by such Owner, provided that due notation thereof is made on such Certificates.

Events of Default and Remedies

Upon the Trustee's acquiring actual knowledge of the occurrence of an Event of Default (as defined in the Facility Lease), and in each and every such case during the continuance of such Event of Default, the Trustee will declare that an Event of Default has occurred and shall notify the Town of such occurrence within five Business Days of the Trustee's acquiring such actual knowledge. Forthwith upon making the declaration of an Event of

Default and giving such notice, the Trustee may, in addition to all other rights and remedies it may have at law, exercise the remedies provided in the Facility Lease, which remedies the Authority hereby irrevocable assigns and transfers to the Trustee.

Application of Funds. All moneys held by the Trustee in the accounts and funds provided in the Trust Agreement as of the date of the Trustee's notice to the Town, all proceeds from the liquidation of any Permitted Investments held by the Trustee in such funds, and all Revenues (other than amounts on deposit in the Rebate Fund) thereafter received by the Trustee under the Trust Agreement will be applied by the Trustee in the following order—

First, to the payment of the fees, costs and expenses of the Trustee for the performance of its duties thereunder and in providing for the declaration of such Event of Default, including reasonable compensation to its accountants and counsel together with interest on any amounts advanced and then to the payment of related costs and expenses of the Owners, if any, including reasonable compensation to their accountants and counsel; and

Second, upon presentation of Certificates for which the principal amount thereof is then due and owing, to the payment of the whole amount then due and owing and unpaid with respect to such Certificates for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate accrued with respect to such Certificates, and in case such money is not sufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such interest first, the payment of such principal second and (to the extent permitted by law) to the payment of interest on overdue interest and principal third, without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Legal Proceedings. If one or more of the Events of Default occurs and remains in effect, the Trustee may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, will proceed to protect or enforce its rights or the rights of the Owners of the Certificates under the Trust Agreement and the Facility Lease by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties thereunder.

Non-Waiver. Nothing will affect or impair the obligation of the Trustee, which is absolute and unconditional, to pay the interest, principal and prepayment premiums, if any, with respect to the Certificates to the respective Owners of the Certificates at the respective dates of maturity or upon prior prepayment as provided in the Trust Agreement from the Revenues pledged for such payment, or will affect or impair the right of such Owners, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and evidenced by the Certificates. A waiver of any default or breach of duty or contract by the Trustee or any Owner will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Owner to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or be construed as a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Owners under the Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Trustee and any Owner will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Owner has the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Owners, whether or not the Trustee is an Owner, and the Trustee is appointed (and the successive Owners, by taking and holding the Certificates delivered thereunder, will be conclusively deemed to have appointed it) the attorney-in-fact of the Owners for bringing any such action, proceeding or suit and for doing and performing anything for and on behalf of the Owners as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive. No conferred upon or reserved to the Owners in the Trust Agreement is intended to be exclusive of any other remedy, and each such remedy will be cumulative and in addition to every other remedy given thereunder or existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Limitation on Owner's Right To Sue. No Owner of any Certificate delivered under the Trust Agreement will have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner has given the Trustee written notice of the occurrence of an Event of Default under the Facility Lease; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) said Owners have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or failed to comply with such request within 60 days after the Trustee has received the request and tender of indemnity. Such notification, request, tender of indemnity and refusal or omission are conditions precedent to the exercise by any Owner of the Certificates of any remedy under the Trust Agreement, and no one or more Owners of the Certificates will have any right to enforce any provision of the Trust Agreement, except as provided therein, and all proceedings at law or in equity to enforce any provision of the Trust Agreement will be instituted, had and maintained as provided in the Trust Agreement and for the equal benefit of all Owners of the Outstanding Certificates.

Discharge and Defeasance

Discharge. If the Trustee pays or causes payment, or payment otherwise is made, to the Owners of all Outstanding Certificates the interest, principal and prepayment premiums, if any, with respect thereto at the times and in the manner stipulated in the Trust Agreement, then the Owners of such Certificates will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided therein, and all agreements, covenants and other obligations of the Trustee to the Owners of such Certificates thereunder will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Town all instruments necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay or deliver to the Town all money or securities held by it pursuant to the Trust Agreement that are not required for the payment of the interest, principal and prepayment premiums, if any, with respect to such Certificates.

Defeasance. Prior to maturity or prepayment, any Outstanding Certificate will be deemed to have been paid and discharged as described in the preceding paragraph if (1) in case such Certificate is to be prepaid prior to maturity, the Town has given the Trustee irrevocable instructions to provide notice of prepayment under the Trust Agreement or an applicable Supplemental Trust Agreement, (2) there has been deposited with the Trustee (A) money sufficient and/or (B) Authorized Defeasance Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, are sufficient, in the opinion of an Independent Financial Advisor, to pay when due the interest to become due with respect to such Certificate on and prior maturity or prepayment, as the case may be, and the principal and prepayment premium, if any, with respect to such Certificate, and (3) in the event such Certificate is not subject to prepayment within the next 60 days, the Town has given the Trustee irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Certificate that the deposit required by clause (2) above has been made and that such Certificate is deemed to have been paid and stating the maturity date or prepayment when money is to be available for the payment of the principal and prepayment premiums, if any, with respect to such Certificate. To accomplish defeasance the Town will cause to be delivered (i) a report of an independent firm of a nationally recognized Independent Financial Advisor, verifying the sufficiency of the escrow established to pay the Certificate in full on the prepayment date (the "Verification"), (ii) an Escrow Deposit Agreement and (iii) an Opinion of Counsel to the effect that such Certificates are no longer Outstanding under the Trust Agreement.

Unclaimed Money. Any money held by the Trustee in trust for the payment and discharge of any Certificate or interest with respect thereto which remains unclaimed for two years after the date when such Certificate or interest with respect thereto has become due and payable, either at maturity or by call for prepayment, if such money was then held by the Trustee, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Certificate has become due and payable, will be paid by the Trustee to the Town as its absolute property free from trust, and the Trustee will then be released and discharged with respect

thereto, and the Owner may not look to the Trustee for any payment with respect to such Certificate; provided, however, that before being required to make any such payment to the Town, the Trustee may, and at the request of the Town will, at the expense of the Town, cause to be published once a week for two successive weeks in a Financial Newspaper of general circulation in Los Angeles and in San Francisco, California, and in the same or a similar Financial Newspaper of general circulation in New York, New York, a notice that such money remains unclaimed and that, after a date specified in such notice, not be less than 30 days after the date of the first publication of each such notice, the balance then unclaimed will be remitted to the Town.

Other Provisions

Limitations. The Trustee need not advance any money from any source other than the Revenues as provided in the Trust Agreement for the payment of the interest, principal or prepayment premiums, if any, with respect to the Certificates or for the performance of any agreements or covenants in the Trust Agreement. The Trustee may, however, advance funds for any such purpose if such funds are derived from a source legally available for that purpose. Nothing is intended or is to be construed to give to any person other than the Town, the Trustee and the Owners any right, remedy or claim under or by reason the Trust Agreement. Any agreement or covenant in the Trust Agreement required to be performed by or on behalf of the Town or any member, officer or employee thereof will be for the sole and exclusive benefit of the Trustee and the Owners. No officer or employee of the Town will be individually or personally liable for the payment of interest, principal or prepayment premiums, if any, with respect to the Certificates by reason of their execution, but nothing in the Trust Agreement relieves any such officer or employee from the performance of any official duty provided by any applicable provisions thereof or by law.

Binding Successor Owners. Any declaration, request, consent or other instrument or writing of the Owner of any Certificate will bind all future Owners of such Certificate with respect to anything done or suffered to be done by the Trustee or the Town in good faith and in accordance therewith.

FACILITY LEASE

The following is a summary of certain provisions of the Facility Lease. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Facility Lease.

The Facility Lease between the ABAG FINANCE AUTHORITY FOR NON PROFIT CORPORATIONS, a joint exercise of powers authority ("Authority") and the Town of Moraga (the "Town"), is dated as of February 1, 2010 (the "Facility Lease"). The Facility Lease has been approved as to form by the Authority and the Town and will be executed prior to the delivery of the Certificate.

Term. The term of the Facility Lease will commence as of February 1, 2010, and will end October 1, 2029 unless extended or sooner terminated. If on October 1, 2029 any Certificates remain Outstanding, or if the rental payable under the Facility Lease has been abated, then the term will be extended until ten days after no Certificates remain Outstanding, except that the term will in no event be extended beyond October 1, 2039. If prior to October 1, 2039, no Certificates remain Outstanding, the term will end ten days thereafter or ten days after written notice by the Town to the Authority, whichever is earlier. The Town will provide the Trustee with a revised Base Rental Payment schedule if the term of the Facility Lease is extended.

Base Rental Payments. Subject to a credit for any balance in the Interest Fund, the Town agrees to pay directly to the Trustee, as the irrevocable assignee and transferee of the Authority, Base Rental Payments for the use and occupancy of the Leased Facilities (subject to abatement and other provisions of the Facility Lease), semiannually on each March 15 and September 15 in accordance with the Base Rental Payment Schedule. The Town acknowledges that the Base Rental Payments represent the reasonably estimated and anticipated fair rental value of the Leased Facilities, as improved by the Project, as the same is expected to increase during the term of the Facility Lease. Base Rental Payments are calculated on an annual basis, for each 12-month period commencing October 2 and ending the following October 1, except that the rental payment due and payable September 15, 2010, will be for the period commencing as of February 1, 2010. Each annual payment of Base Rental shall be for the use of the Leased Facilities for the 12-month period commencing October 2 in the period for which such installments

are payable. If the term of the Facility Lease is extended as described in the preceding paragraph, Base Rental Payment installments shall continue to be due each March 15 and September 15 continuing to and including the date of termination of the Facility Lease, in an amount equal to the amount of Base Rental payable for the 12-month period commencing October 2, 2010.

Additional Payments. The Town will also make Additional Payments as required for all costs and expenses incurred for the execution, performance or enforcement of the Facility Lease and the Trust Agreement, its interest in the Leased Facilities and the lease of the Leased Facilities to the Town, including but not limited to payment of all fees, costs and expenses and all administrative costs related to the Leased Facilities, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee pursuant to the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs or charges required to be paid by the Town in order to maintain its existence or to comply with the terms of the Facility Lease or the Trust Agreement, but excluding from "Additional Payments" the amounts required to pay the principal, interest and prepayment premiums, if any, with respect to the Certificates.

No Offsets; Triple-Net Lease. The Town must make all rental payments when due without deduction or offset of any kind and not withhold any rental payments pending resolution of any dispute. If the Town is determined not to be liable for any rental payment or portion thereof, the applicable amount will be credited against subsequent rental payments or refunded to the Town at the time of such determination. The Facility Lease is a "net-net-net lease", and the Town agrees that the rentals provided for therein will be an absolute net return to the Trustee, free and clear of any expenses, charges or set-offs whatsoever, except as provided therein.

Appropriations. The Town covenants to take such action as necessary to include all Base Rental Payments and Additional Payments in its annual budgets and to make annual appropriations for all Base Rental Payments and Additional Payments. The Town will deliver to the Trustee copies of the portion of each annual Town budget relating to Base Rental Payments and Additional Payments within 30 days after the adoption thereof but not later than each October 1. These covenants will be treated as duties imposed by law, and each and every public official of the Town will have the duty to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Town to carry out and perform the Town's covenants and agreements in the Facility Lease.

Abatement of Base Rental Payments. The Base Rental Payments will be abated proportionately during any period when any damage or destruction (other than condemnation) results in substantial interference with the Town's use and occupancy of the Leased Facilities, in the proportion in which the initial cost of that portion of the Leased Facilities rendered unusable bears to the initial cost of the whole of the Leased Facilities. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In any event, the Facility Lease will continue in full force and effect, and the Town waives any right to terminate it by virtue of any such damage or destruction. Base Rental Payments will not be abated to the extent of available proceeds of rental interruption insurance, required to be maintained by the Town to cover 24 months' Base Rental Payments.

The Project. The Project will be constructed in accordance with the plans and specifications prepared by the Architects and approved by the Town. Acquisition and construction of the Project will be substantially completed in accordance with said plans and specifications within the time limits set forth in the applicable construction contract(s) and the purchase agreement related to the Town's acquisition of 331 Rheem Boulevard. The Town may issue change orders altering the construction contract plans and specifications during the course of construction if such changes do not materially reduce or diminish the capacity, adaptability or usefulness of the Project. The Town will pay any increased cost resulting from such change orders. While the Town is in possession of the Leased Facilities it will have full responsibility for all maintenance and repair, both ordinary and extraordinary, of the Leased Facilities, and the Town will maintain or otherwise arrange for the maintenance of the Leased Facilities in first class condition pay or otherwise arrange for the payment of all utility services supplied to the Leased Facilities, such as janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services. The Town will also pay or arrange for payment of the cost of the repair and replacement of the Leased Facilities resulting from ordinary wear and tear or want of care on the part of the Town or any assignee or sublessee thereof under a Permitted Encumbrance or any other cause and pay or

otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Leased Facilities.

Changes and Substitutions. At its own expense, the Town may revise the Leased Facilities or make additions, deletions, modifications and improvements to all or any part of the Leased Facilities. They will comprise part of (or be deleted from) the Leased Facilities and be subject to (or released from) the provisions of the Facility Lease. None may in any way damage the Leased Facilities or cause them to be used for purposes other than those authorized under the provisions of state and federal law (or that would result in violation of the Town's tax covenants). In all cases, upon completion of any additions, deletions, modifications and improvements, the Lease Facilities must have a fair rental value not less than the Base Rental Payments and the Additional Payments. In the case of substitution of other real property or improvements (subject only to Permitted Encumbrances) or release a portion of the real property or improvements (subject only to Permitted Encumbrances) constituting the Leased Facilities, the Town must provide the Trustee with a written supplement to the Facility Lease (and the Site Lease, if applicable), as well as each of the following items:

(1) a certificate from an independent and qualified MAI real estate appraiser selected by the Town finding that the Leased Facilities, as constituted following such substitution or release, (a) have an annual fair rental value during the remainder of the term of the Facility Lease that is equal to or greater than the total annual Base Rental Payments and Additional Payments (assuming that the annual Additional Payments due in the future will equal the average annual Additional Payments prior to such substitution or release) during any year of the remainder of the term of the Facility Lease and (b) has a useful life at least equal to the remaining term of the Facility Lease;

(2) certificates of insurance applicable to the Leased Facilities (at and after the substitution or release) which comply with the requirements described under "Insurance" below; and

(3) an Opinion of Counsel to the effect that such substitution or release will not adversely affect the exclusion from gross income for federal income tax purposes and the exemption from State personal income taxation of interest paid with respect to the Certificates, and that the Facility Lease and the Site Lease, as amended, are valid and binding obligations of the Town.

Equipment. The Town and any sublessee under any Permitted Encumbrance may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Facilities. All such items will remain the sole property of such party, in which neither the Trustee nor any Certificate Owner will have any interest, and any such item may be modified or removed by such party at any time provided that such party must repair and restore any and all damage to the Leased Facilities resulting from the installation, modification or removal of any such item. The Town may purchase items to be installed in or upon the Leased Facilities under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, but no such lien or security interest may attach to any part of the Leased Facilities.

Insurance

Property Insurance. Except to the extent the Town self-insures as described below, throughout the term of the Facility Lease the Town will procure or arrange for and maintain insurance against loss or damage to any structures that are part of the Leased Facilities due to fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, excluding earthquake insurance unless the Town determines that such insurance is reasonably available at reasonable cost in the commercial market from reputable insurance companies. To the extent it is practical, the extended coverage insurance will cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and other hazards normally covered by such insurance. Coverage must be sufficient to pay the replacement cost (without deduction for depreciation) of all structures that are part of the Leased Facilities, excluding excavations, grading and filling, or land, subject to deductibles or retentions up to \$250,000, or as an alternative, sufficient (together with moneys in the Reserve Account and available for the purpose), in the event of total or partial loss, to enable all Certificates then Outstanding to be prepaid. Any insurance other than self-insurance must be provided by an insurer rated "A" or better by A.M. Best Corporation and shall name the Authority and the Trustee as loss payees as to their respective interests in the Leased Facilities.

Use of Insurance Proceeds. In the event of any damage to or destruction of any part of the Leased Facilities caused by the perils covered by the insurance described in the preceding paragraph, the Town will cause the proceeds of such insurance to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Facilities, and the Town will hold said proceeds separate and apart from all other funds, in a special fund called the "Insurance and Condemnation Fund" to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Facilities to at least the same good order, repair and condition as prevailed prior to the damage or destruction, to the extent that may be accomplished by the use of said proceeds. Whenever the Town spends money in the Insurance and Condemnation Fund, the Town will provide the Trustee with a Certificate of the Town to the effect that the Town has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be treated by the Trustee as Base Rental Payments and applied to the purchase or prepayment of Certificates. Alternatively, but only if the proceeds of such insurance and any amounts transferred from the Reserve Account together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount of Outstanding Certificates equal to the amount of Outstanding Certificates attributable to the portion of the Leased Facilities so destroyed or damaged (determined by reference to the proportion which the acquisition, design and construction cost of such portion of the Leased Facilities bears to the acquisition, design and construction cost of the Leased Facilities), the Town may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Certificates pursuant to the provisions of the Trust Agreement. The Town will apply promptly for Federal disaster aid or State disaster aid in the event that the Leased Facilities are damaged or destroyed as a result of an earthquake (or other declared disaster for which such aid is available). Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Facilities, or, at the option of the Town, to fund the prepayment of Outstanding Certificates to the extent that permitted for such aid.

Rental Interruption Insurance. The Town must procure or cause to be procured and maintain or cause to be maintained throughout the term of the Facility Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Leased Facilities as the result of any of the hazards covered by the casualty insurance requirements described above, in an amount sufficient to pay the part of the total rent under the Facility Lease attributable to the portion of the Leased Facilities rendered unusable (determined by reference to the proportion which the acquisition, design and construction cost of such portion bears to the acquisition, design and construction cost of the Leased Facilities) for a period of at least two years, a deductible clause of not more than \$5,000. Any proceeds of such insurance and any amounts transferred from the Reserve Account will be used by the Trustee to reimburse to the Town any rental theretofore paid by the Town under the Facility Lease attributable to such structure for a period of time during which the payment of rental under the Facility Lease is abated, and any proceeds of such insurance not so used shall be applied to the extent required for the payment of Base Rental Payments and Additional Payments).

Liability Insurance. Except to the extent the Town self-insures as described below, the Town will procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority, the Trustee and their respective members, directors, officers, agents and employees, indemnifying said persons against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Leased Facilities, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of three hundred thousand dollars \$300,000, subject to a deductible clause of not to exceed \$10,000, for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the Town.

Self-Insurance. As an alternative to procuring all or part of the casualty or liability insurance described above, the Town may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection provides reasonable coverage for the risks required to be insured against, in light of all

circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the Town. Before such other method or plan may be provided by the Town, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facility Lease, the Town will arrange for filing with the Trustee a certificate of an actuary, insurance consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with these requirements, when effective, would afford reasonable coverage for the risks required to be insured against. The Town must also file with the Trustee a Certificate of the Town setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the Town will be limited to the amounts in the self-insurance reserve fund or funds created under such method.

Other Insurance. The Town must maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in the State, or any amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the Town, including self-insurance. Upon execution and delivery of the Facility Lease, the Town will obtain title insurance on the Leased Facilities in the form of a CLTA title policy, including both leaseholder's and owner's coverage, in an amount equal to the aggregate principal amount of the Certificates, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances, naming the Trustee as an additional insured thereunder.

Insurance Administration. All policies of casualty and rental interruption insurance described above must be provided by an insurer rated "A" or better by A.M. Best Corporation and provide that all proceeds will be payable to the Trustee pursuant to a lender's loss payable endorsement. The Trustee will collect, adjust and receive all moneys which may become due and payable under any such policies, may compromise any and all claims thereunder and will apply the proceeds of such insurance as described above. All policies of insurance required by the Facility Lease must provide that the Trustee will be given 30 days' prior notice of each expiration thereof or any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee is not responsible for the sufficiency of any insurance required under the Facility Lease and will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The Town must pay when due the premiums for all insurance policies required under the Facility Lease. Each January, the Town must deliver to the Trustee a Certificate of the Town setting forth and stating that the insurance then in force satisfies the requirements of the Facility Lease and any required supporting documentation.

Indemnification. To the full extent then permitted by law, the Town will indemnify, protect, hold harmless, save and keep harmless the Authority and its directors, officers and employees and the Trustee and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Site Lease or the Facility Lease, the acquisition, construction, installation and use of the Project and each portion thereof or any accident in connection with the operation, use, condition or possession of the Project or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the Town or the Authority; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The foregoing indemnification shall not apply to any damages or other liability caused by the sole negligence or willful misconduct of the Authority or Trustee, and their agents. This indemnification will continue in full force and effect notwithstanding the full payment of all obligations under the Facility Lease or its termination. The Town must not to withhold or abate any portion of the payments required under this indemnification by reason of any defects, malfunctions, breakdowns or infirmities of the Project.

Defaults and Remedies

Payment or Performance Defaults. If the Town fails to pay any rental payable on the March 15 or September 15 when due and payable, or the Town fails for a period of 30 days (or for such additional time as the Trustee may consider to be reasonably required) after notice from the Trustee to keep, observe or perform any other term, covenant or condition of the Facility Lease to be kept or performed by the Town, to correct the same, or upon the happening of any of the events described below (any such case being an "Event of Default"), the Town will be in

default under the Facility Lease, and the Trustee as irrevocable assignee and transferee of the Authority may lawfully exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease. Upon any such default, the Trustee, in addition to all other rights and remedies it may have at law, may opt to do any of the following:

Terminate and Remove. The Trustee may terminate the Facility Lease on account of default by the Town, notwithstanding any re-entry or re-letting of the Leased Facilities as described below, and re-enter the Leased Facilities and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Facilities. In the event of such termination, the Town must immediately surrender possession of the Leased Facilities and to pay the Trustee all damages that the Trustee may incur by reason of default by the Town, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Facilities and removal and storage of property. Neither notice to pay rent or to deliver up possession of the Leased Facilities given pursuant to law nor any entry or re-entry by the Trustee nor any proceeding in unlawful detainer, or otherwise, brought by the Trustee for the purpose of effecting such re-entry or obtaining possession of the Leased Facilities nor the appointment of a receiver upon initiative of the Trustee to protect the Trustee's interest under the Facility Lease will operate to terminate the Facility Lease, and no termination of the Facility Lease on account of default by the Town will be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Trustee has given written notice to the Town of the Trustee's election to terminate the Facility Lease. No surrender of the Leased Facilities or of the remainder of the term of the Facility Lease or any termination thereof will be valid unless stated or accepted by the Trustee in its written notice.

Collect or Re-Enter. Without terminating the Facility Lease, (1) collect each installment of rent as it becomes due and enforce any other terms or provisions of the Facility Lease to be kept or performed by the Town, whether or not the Town has abandoned the Leased Facilities, or (2) exercise any and all rights of re-entry upon the Leased Facilities. In the event the Trustee does not opt to terminate The Facility Lease as described above, the Town will remain liable and must keep or perform all covenants and conditions to be kept or performed by the Town under the Facility Lease. If the Leased Facilities are not re-let, the Town must pay the full amount of the rent to the end of the term of the Facility Lease. If the Leased Facilities are re-let, the Town must pay any resulting deficiency in rent. In either case, the Town must pay the rent and/or rent deficiency punctually at the same time and in the same manner as otherwise provided for the payment of rent under the Facility Lease (without acceleration), without regard to any excess amounts received or to be received by the Trustee or any entry or re-entry by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of effecting such entry or re-entry or obtaining possession of the Leased Facilities. If the Trustee enters or re-enters, the Town irrevocably appoints the Trustee as the agent and attorney-in-fact of the Town to re-let the Leased Facilities, or any part thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Facilities and to place such personal property in storage, for the account of and at the expense of the Town. Further, the Town exempts and will save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Facilities and removal and storage of such property by the Trustee or its duly authorized agents. The Town further waives the right to any rental obtained by the Trustee in excess of the rental required to be paid by the Town under the Facility Lease, which the Trustee will retain as compensation for its services in re-letting the Leased Facilities or any part thereof. The Town further agrees to pay the Trustee the cost of any alterations or additions to the Leased Facilities necessary to place the Leased Facilities in condition for re-letting immediately upon notice to the Town of the completion and installation of such additions or alterations. The Town also waives any and all claims for damages caused or which may be caused by the Trustee in re-entering and taking possession of the Leased Facilities and all claims for damages that may result from the destruction of the Leased Facilities and all claims for damages to or loss of any property belonging to the Town, or any other person, that may be in or upon the Leased Facilities.

Other Defaults. The Town will be in default under the Facility Lease if (1) the Town's interest in the Facility Lease or any part thereof is assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Trustee, or (2) the Town or any assignee files any petition or institutes any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the Town asks or seeks or prays to be adjudicated a bankrupt, or is to be

discharged from any or all of the Town's debts or obligations, or offers to the Town's creditors to effect a composition or extension of time to pay the Town's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the Town's debts, or for any other similar relief, or if any such petition or similar proceedings are filed, instituted or taken against the Town, or if a receiver of the business or of the property or assets of the Town is appointed by any court, except a receiver appointed at the instance or request of the Trustee, or if the Town makes a general or any assignment for the benefit of the Town's creditors, or if (3) the Town abandons or vacates the Leased Facilities.

Actions by the Trustee. In the case of default by the Trustee with regard to default and remedy provisions of the Facility Lease, the Town may pursue any remedy provided by law, but in no case will the Trustee be in default in the performance of any of its obligations under the Facility Lease or imposed by any statute or rule of law unless and until the Trustee has failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the Town to the Trustee properly specifying any failure of the Trustee to perform any such obligation. In addition to the Trustee's other remedies, the Trustee may proceed to protect and enforce the rights vested in the Trustee by the Facility Lease or by law. The provisions of the Facility Lease and the duties of the Town and of its officers or employees will be enforceable by the Trustee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Trustee shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the Town and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Trustee.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Trustee's rights against the Town (and its Town Council, officers and employees) and to compel the Town to perform and carry out its duties and obligations under the law and its covenants and agreements with the Town as provided in the Facility Lease.

Each of the Trustee's remedies is cumulative. The single or partial exercise of any right, power or privilege will not impair the Trustee's right to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as described above includes and is not limited to re-letting by means of the operation by the Trustee of the Leased Facilities. If any statute or rule of law validly limits the remedies given to the Trustee under the Facility Lease, the Trustee will still be entitled to whatever remedies are allowable under any statute or rule of law. If the Trustee prevails in any action brought to enforce any of the terms and provisions of the Facility Lease, the Town must pay a reasonable amount as and for attorney's fees incurred by the Trustee in attempting to enforce any of the remedies available to the Trustee, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment. Failure by the Trustee to take advantage of any default on the part of the Town will not be, or be construed as, a waiver thereof, nor will any custom or practice between the parties in the course of administering the Facility Lease be construed to waive or to lessen the right of the Trustee to insist upon performance by the Town of any term, covenant or condition of the Facility Lease or to exercise any rights given the Trustee on account of such default. A waiver of a particular default is not a waiver of the same or any subsequent default. The acceptance of rent is not a waiver of any term, covenant or condition of the Facility Lease.

Eminent Domain, Prepayment and Purchase Option

Eminent Domain. If the whole of the Leased Facilities or so much thereof as to render the remainder unusable for the purposes previously used by the Town is taken under the power or threat of eminent domain, the term of the Facility Lease will cease as of the day that possession is taken. If less than the whole of the Leased Facilities is taken under the power or threat of eminent domain and the remainder is usable for the purposes previously used by the Town at the time of such taking, then the Facility Lease will continue in full force and effect as to the usable remainder, and there will be a partial abatement of the rental due under the Facility Lease in an amount equivalent to the amount by which the annual payments of principal of and interest with respect to the Certificates then Outstanding will be reduced by the application of the award in eminent domain to the prepayment

of Outstanding Certificates. So long as any of the Certificates shall be Outstanding, any award made in eminent domain proceedings or compensation paid under threat thereof for taking the Leased Facilities or any portion thereof will be paid to the Trustee and applied to the prepayment of the Base Rental Payments as described below. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, will be paid to or retained by the Town.

Prepayment. The Town must prepay rent under the Facility Lease from insurance and eminent domain proceeds (except when partial damage or destruction of the Leased Facilities results in the collection of insurance proceeds the Town considers to be sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities, in which case such proceeds will be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities), all or any part (in an integral multiple of \$5,000) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which remaining payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest with respect to the Certificates to the date of prepayment, plus any applicable premium. The Town may prepay, from any source of available funds, all or any portion of Base Rental Payments by depositing with the Trustee moneys or securities as provided in the defeasance provisions of the Trust Agreement (see "Trust Agreement – Defeasance") sufficient to make such Base Rental Payments when due; provided that the Town furnishes the Trustee with an Opinion of Counsel that such deposit will not cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes. The Town agrees that if following such prepayment the Leased Facilities are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments, and the Town will not be entitled to any reimbursement of such Base Rental Payments. The obligations of the Town under the Facility Lease will cease, terminate, become void and be completely discharged and satisfied (except for the right and the obligation to have such moneys and such Permitted Investments applied to the payment or prepayment of the Base Rental Payments or option price), and the Authority's interest in and title to the Leased Facilities or applicable portion or item thereof shall be transferred and conveyed to the Town when both of the following conditions have occurred: (1) there have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or date when the Town may exercise its option to purchase the Leased Facilities or any portion or item thereof, in trust for the benefit of the Owners of the Certificates and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and qualified defeasance securities sufficient to pay all principal of and interest with respect to the Certificates to the due date of the Certificates or date when the Town may exercise its option to purchase the Leased Facilities, as the case may be; and (2) an agreement is made with the Trustee for the payment of its fees and expenses so long as any of the Certificates remain unpaid. In such event, the Trustee shall cause an accounting for such period or periods as may be requested by the Town to be prepared and filed to evidence such discharge and satisfaction, and the Trustee shall pay the Town as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the Facility Lease (other than moneys and Permitted Investments required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses of the Trustee, which will continue to be held by the Trustee in trust and applied for such purposes).

Purchase Option. The Town has the option to purchase the Authority's interest in any part of the Leased Facilities upon payment of an option price consisting of moneys or qualified defeasance securities sufficient (together with the earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Facility Lease of the part of the total rent attributable to that part of the Leased Facilities (determined by reference to the proportion which the acquisition, design and construction cost of such part of the Leased Facilities bears to the acquisition, design and construction cost of all of the Leased Facilities). The Town will make any such payment to the Trustee as rental payments and will be applied by the Trustee to pay the principal of and interest with respect to the Certificates and to prepay Certificates if such Certificates are subject to prepayment pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee, the Base Rental Payments thereafter payable under the Facility Lease will be reduced by the amount thereof attributable to such part of the Leased Facilities and theretofore paid, the abatement and insurance provisions of the Facility Lease will not thereafter apply to such part of the Leased Facilities, and title to such part of the Leased Facilities will vest in the Town and the term of the Facility Lease will end as to such part of the Leased Facilities.

Personal Property. At its discretion, the Town may sell or exchange any personal property that is a part of the Leased Facilities and release it from the Facility Lease, if the Town finds the property sold or exchanged is no longer required or useful in connection with the operation of the Leased Facilities, the consideration to be received from sale or exchange of the property is of a value substantially equal to the value of the property to be released and, if the Town values such property in excess of \$50,000, the Town obtains a certificate of an independent engineer or other qualified independent professional consultant certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Leased Facilities. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released will be paid to the Trustee. As long as the Town is not in default under any of the provisions of the Facility Lease, the Trustee will disburse funds its receives upon the Written Request of the Town to purchase personal property that will become part of the Leased Facilities. The Trustee may require opinions, certificates and other documents it considers necessary before permitting any sale or exchange of personal property subject to the Facility Lease or before releasing for the purchase of new personal property money received by the Trustee for personal property sold.

Certain Covenants of the Town

Right of Entry. The Trustee has the right but not the duty to enter, examine and inspect the Leased Facilities at any time during an emergency and otherwise during reasonable business hours in connection with the Town's rights or obligations under the Facility Lease and for all other lawful purposes.

Liens. If Town causes any changes, alterations, additions, improvements or other work to be done or performed or materials to be supplied, in or upon the Leased Facilities, the Town will pay, when due, all amounts due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the Town in, upon or about the Leased Facilities and will keep the Leased Facilities free of any and all mechanics' or materialmens' liens or other liens against the Leased Facilities, except any Permitted Encumbrances. If any such lien attaches to or is filed against the Leased Facilities or the Trustee's interest therein, the Town will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, but the Town in good faith may contest any such lien. If any such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the Town will forthwith pay and discharge said judgment. To the extent permitted by law, the Town will indemnify and hold the Authority and the Trustee and their respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorney's fees) as a result of any such lien or claim of lien against the Leased Facilities or the Trustee's interest therein.

Taxes. The Town will pay or cause to be paid all taxes and assessments affecting the Leased Facilities or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Town will be obligated to pay only such installments as are required to be paid during the term of the Facility Lease as and when the same become due. The Town will also pay directly such amounts, if any, in each year as shall be required by for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the Town to pay any of the foregoing or failure to file or furnish for filing in a timely manner any returns, levied or imposed against the Authority, the Trustee or the Leased Facilities, the rentals and other payments required under the Facility Lease or any parts thereof or interests of the Town or the Authority or the Trustee therein by any governmental authority. At the Town's expense and in its name, the Town may in good faith contest any taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee notifies the Town that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority or the Trustee in the Leased Facilities would be materially endangered or the Leased Facilities, or any part thereof, would be subject to loss or forfeiture, in which event the Town will promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment, in form satisfactory to the Trustee.

Title, Assignment and Subleasing. During the term of the Facility Lease, the Town will hold fee title to the Site, subject to the Permitted Encumbrances and except for any items added to the Leased Facilities by the Town as described above. Subject to Permitted Encumbrances, and only if the Permitted Encumbrances do not affect the tax-exempt status of interest with respect to the Certificates, neither the Facility Lease nor any interest of the Town thereunder may be mortgaged, pledged, assigned, sublet or transferred by the Town by voluntary act or by operation of law or otherwise. The Permitted Encumbrances do not reduce the obligation of the Town to make the Base Rental Payments and Additional Payments.

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APPENDIX B

**GENERAL INFORMATION REGARDING THE TOWN OF MORAGA
AND ITS REGION**

The following is brief information regarding the Town of Moraga (the “Town”) and its surrounding region, together with current information concerning the Town’s economy, governmental organization and major revenue sources. The following information concerning the Town, the County of Contra Costa (the “County”) and the State of California (the “State”) is included only for general background purposes and is not intended to suggest that the Certificates are payable from any source other than Base Rental Payments.

General Information

The Town is located in west-central Contra Costa County, approximately 22 miles east of San Francisco and 5 miles southwest of Walnut Creek. The Town is bordered by the Oakland hills to the west, the City of Lafayette to the north and northeast, the City of Orinda to the northwest and unincorporated land along the County border to the south and southwest. The Town is 9.5 square miles in size and characterized by a hilly terrain, with some peaks over 1,500 feet above sea level. The Town’s weather ranges from the 80s in the summer to the 30s in the winter with an average rainfall of 27 inches.

Government

The Town was incorporated on November 13, 1974 and operates as a general law city. It has a council-manager form of government, with five Town Council members elected at large in even numbered years for staggered four-year terms. A Mayor and Vice-Mayor are selected by the Town Council for one year terms.

Population

A historical summary of the Town’s population is shown below:

**TOWN OF MORAGA
Population as of January 1**

<u>Year</u>	<u>Population</u>
2005	16,334
2006	16,153
2007	16,094
2008	16,128
2009	16,204

Source: U.S. Department of Finance

Employment

The twenty largest employers in Contra Costa County as of fiscal year 2008-09 are shown in the following table:

**CONTRA COSTA COUNTY
Major Employers**

	Employer	Location	Industry
1	AT&T Corp.	San Ramon	Telecommunications
2	Contra Costa County	Martinez	Government
3	Summerville Management LLC	San Ramon	Nursing Care Facilities
4	John Muir Physician Network	Walnut Creek	General Medical & Surgical Hospitals
5	Pacpizza LLC	San Ramon	Limited-Service Restaurants
6	Mt. Diablo Unified School District.	Concord	Elementary and Secondary Schools
7	Kaiser Foundation Hospitals	Walnut Creek	General Medical & Surgical Hospitals
8	United States Postal Service	Alamo	Postal Service
9	Safeway, Inc.	Alamo	Supermarkets and Grocery Stores
10	Diablo Valley College	Pleasant Hill	Community College
11	AT&T Services, Inc.	Pleasant Hill	Telecommunications
12	Home Depot USA	San Ramon	Home Centers
13	Cellco Partnership	Concord	Radio, TV & Other Electronic Stores
14	California Department of Veterans Affairs	Martinez	Offices of Physicians and Surgeons
15	West Contra Costa Unified School District.	Richmond	Elementary and Secondary Schools
16	John Muir Health	Walnut Creek	General Medical & Surgical Hospitals
17	Bio-Rad Laboratories	Hercules	Analytical Laboratory Instrument Manufacturing
18	Albertson's LLC	San Ramon	Supermarkets and Grocery Stores
19	Chevron Corp.	San Ramon	Petroleum Refineries
20	Target Corp.	San Ramon	Department Stores

Source: California Employment Development Dept.

The distribution of employment in Contra Costa County is as follows:

**CONTRA COSTA COUNTY
Labor Force and Industry Employment
(Data not adjusted for Seasonality)
Annual Averages**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Service Providing	289,300	293,400	296,400	293,000
Natural Resources & Mining	N/A	N/A	N/A	N/A
Total Farm	800	700	700	700
Construction	N/A	N/A	N/A	N/A
Manufacturing	19,800	20,200	20,600	20,800
Trade, Transportation & Utilities	60,400	61,500	62,300	61,400
Wholesale Trade	8,800	9,100	9,100	8,700
Retail Trade	44,000	44,000	44,400	43,900
Finance & Insurance	26,400	24,700	22,400	20,000
Real Estate & Rental & Leasing	7,600	7,400	6,800	6,400
Government	50,200	48,900	52,200	51,600

Note: Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.

Source: California Development Department

CONTRA COSTA COUNTY
State of California, and United States
Average Annual
Civilian Labor Force, Employment and Unemployment

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2005</u>				
Contra Costa County	512,700	487,700	25,000	4.9%
California	17,629,200	16,671,900	957,200	5.4%
United States	149,320,000	141,730,000	7,591,000	5.1%
<u>2006</u>				
Contra Costa County	515,900	493,800	22,100	4.3%
California	17,821,100	16,948,400	872,700	4.9%
United States	151,428,000	144,427,000	7,001,000	4.6%
<u>2007</u>				
Contra Costa County	519,700	495,400	24,300	4.7%
California	18,078,000	17,108,700	969,300	5.4%
United States	153,124,000	146,047,000	7,078,000	4.6%
<u>2008</u>				
Contra Costa County	529,200	496,400	32,700	6.2%
California	18,391,800	17,059,600	1,332,300	7.2%
United States	154,287,000	145,362,000	8,924,000	5.8%
<u>2009</u>				
Contra Costa County	531,900	475,800	56,100	10.5%
California	18,462,800	16,308,200	2,154,500	11.7%
United States	n/a	n/a	n/a	n/a

Note: Above data reflect revised population controls, seasonal factors, and model re-estimation for 2005-09. Figures are rounded to the nearest hundred.

Source: U.S. Department of Labor, Bureau of Labor Statistics, as of January 22, 2010.

Local Income

Demographic and economic factors indicate that Town households tend to have more disposable income than Contra Costa County residents as a whole and are more likely to be employed in white-collar jobs. According to the Association of Bay Area Governments Projects and the California Department of Finance, the 2005 mean household income for the Town was \$160,200 compared to a mean household income of \$107,593 for the County.

Taxable Sales

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions is presented in the following table:

TOWN OF MORAGA				
Taxable Sales				
Taxable Transactions (in thousand of dollars)				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Retail Stores	66,060	66,869	71,413	71,029
Total Outlets	74,990	76,645	81,538	78,865

Source: California State Board of Equalization

Jobs-Housing Balance

The effect of employment trends on planning for housing is measured through the ratio of jobs to housing. Job growth in Moraga has roughly paralleled the increase in population and employed residents. ABAG estimated that there would be 5,210 jobs within the Town and 7,500 employed residents in 2010. This results in a jobs-to-employee ratio of 0.69. A ratio of 1.00 indicates that there is a numeric balance between the number of jobs and the number of employed residents in a community. A ratio of less than 1.00 typically indicates that a community is “job poor” and that its residents commute to jobs in other areas, and the community’s economic development has not kept pace with its housing growth.

Education

Public educational instruction from kindergarten through eighth grade is provided by the Moraga Unified School District to an estimated enrollment of over 5,300 students among three elementary schools and a middle school. Students in grades 9 through 12 are served by the Acalanes Union School District (“AUHD”). AUHD serves 5,800 students in the Town and the neighboring communities of Orinda, Lafayette, Walnut Creek and Canyon. Approximately 8,000 students Participate in the AUHD adult education program. The AUHD district academic performance index rating is the highest of all 88 school districts in the State.

Moraga is home to St. Mary’s College, a private, coeducational college administered by the De LaSalle Christian Brothers. It is known for its liberal arts education and its business program. Moraga is also in close proximity to public higher education facilities located in the San Francisco Bay Area, including, Diablo Valley College in Concord, the University of California at Berkeley, and California State University-East Bay Campus.

Transportation

Public transportation is readily available to residents and workers via nearby BART stations in Orinda and Lafayette, as well as through the County Connection bus service. The Town is easily accessed from Highway 24. The region is served by both the Oakland and San Francisco airports.

Cultural/Recreational

The Town owns and manages 57.5 acres of improved parkland and 250 acres of preserved natural open space. Moraga also operates several recreational facilities, including picnic areas, basketball courts, playgrounds, a band shell and outdoor amphitheater, volleyball courts, bocce ball courts, a disc golf course, a water play area, a par course, and a skate park. Recreational facilities owned by the Town also include approximately two miles of multiuse trails. The Town owns and maintains the Hacienda de Las Flores Center on an 8.9-acre site, which is available for event rentals, and serves as home to most of the Town’s recreation programs.

The Town has access to 27.7 acres of multi-use fields for use after school hours and on weekends. All total, with agreements, Town-owned assets, and park facilities owned by other agencies, the Town residents have over

722 acres of open space and parks available for their use and enjoyment. This provides almost 44 acres of parks, open space, and trails available for every 1,000 residents. In addition, residents enjoy 15 miles of public access trails.

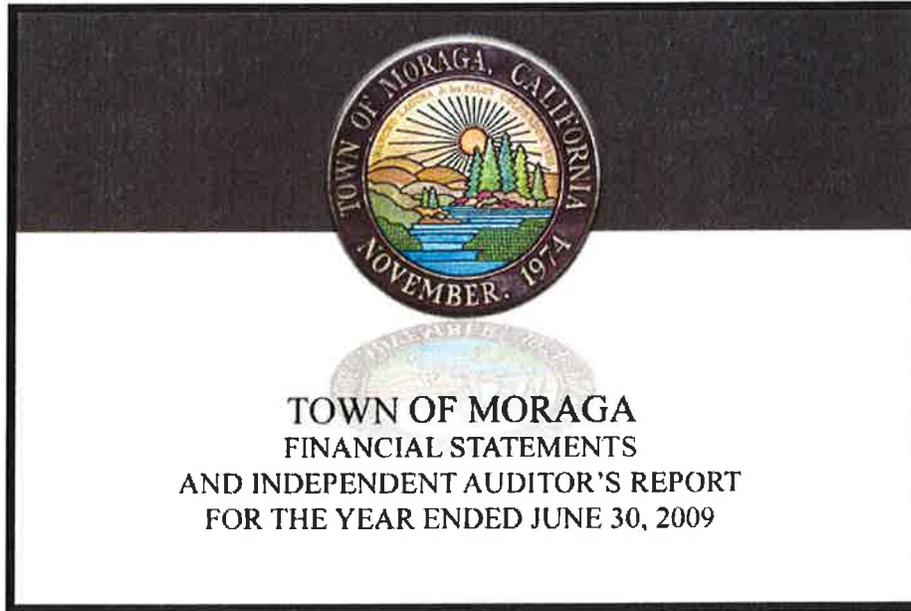
The Town's Parks and Recreation Department, in conjunction with the Town's Parks and Recreation Commission, updates Master Plans, assists with fundraising events, and oversees parks and other recreation amenities and programs. The Town, as outlined in the Parks and Recreation Master Plan adopted in 2007, intends to continue to add parklands, with special attention to athletic fields for soccer, youth baseball, softball, and a proposed dog park. The Master Plan also calls for additional trails to be developed to enhance recreational activities for the Town's residents. The Master Plan also recommends that the Town improve access for residents with disabilities and make the Town parks ADA (Americans with Disabilities Act) compliant.

Library

Library services within the Town are provided by the Contra Costa County library system. The Moraga branch library located at 1500 St. Mary's Road was built in 1974. The library houses almost 64,000 volumes and offers books on tape, music and DVDs, computers for public use, and Wi-Fi access. The branch offers programs directed at various age groups, including child, teen and adult programs. The Moraga branch is open 35 hours per week on Tuesday through Saturday. Historically, the Town has contributed fiscally to the County to offset the operational costs. This changed as of July 1, 2009, when the Town assumed most non-library function operational costs for the building and grounds. The Town maintains and manages the physical facilities and funds these costs through the annual budgeting process.

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APPENDIX C



MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
2515 VENTURE OAKS WAY, SUITE 135
SACRAMENTO, CA 95833

**TOWN OF MORAGA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of the Town Council
 Town of Moraga
 Moraga, California

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moraga (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moraga as of June 30, 2009, and the respective changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2010 on our consideration of the Town of Moraga's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii through xiv is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Moraga's basic financial statements. The combining nonmajor fund financial statements, combining general fund statements, and combining capital project fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Town of Moraga. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


 Sacramento, CA
 January 4, 2010

PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Christine L. Collins, EA

Kriss Ann Mann, CPA CCI C-3 in J. Williams, CPA

**TOWN OF MORAGA
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<i>Current assets:</i>	
Cash and cash equivalents (Note 2)	\$ 7,025,399
Accounts receivable	1,463,364
Accrued interest receivable	<u>22,151</u>
Total current assets	<u>8,510,914</u>
<i>Noncurrent assets:</i>	
Net Pension Asset (Note 7), net of accumulated amortization of \$48,473	1,405,729
Capital assets (Note 3)	
Capital assets, not being depreciated	11,722,999
Capital assets, being depreciated, net of accumulated depreciation	<u>19,022,079</u>
Total noncurrent assets	<u>32,150,807</u>
Total Assets	<u>\$ 40,661,721</u>
 <u>LIABILITIES</u>	
<i>Current liabilities:</i>	
Accounts payable & accrued liabilities	\$ 449,618
Accrued payroll	96,872
Deferred revenue	34,075
Other liabilities	4,104
Due to fiduciary fund	613,043
Accrued compensated absences - current (Note 4)	3,257
Note payable - current (Note 4)	<u>86,800</u>
Total current liabilities	<u>1,287,769</u>
<i>Noncurrent liabilities:</i>	
Accrued compensated absences (Note 4)	<u>210,422</u>
Total Liabilities	<u>1,498,191</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	30,658,278
Unrestricted	<u>8,505,252</u>
Total Net Assets	<u>39,163,530</u>
Total Liabilities and Net Assets	<u>\$ 40,661,721</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets
PRIMARY GOVERNMENT	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General administration	\$ 1,488,166	\$ 4,122	\$ 278,886	\$ 27,106	\$ (1,178,052)
Planning	673,332	330,784	-	-	(342,548)
Public safety	2,232,131	129,263	100,000	-	(2,002,868)
Public works	2,432,465	486,270	-	922,275	(1,023,920)
Parks and recreation	589,678	200,241	633	8,635	(380,169)
Total	7,415,772	1,150,680	379,519	958,016	(4,927,557)
Total primary government	\$ 7,415,772	\$ 1,150,680	\$ 379,519	\$ 958,016	\$ (4,927,557)
General revenues:					
Taxes:					
Property taxes				\$ 2,894,886	
Sales taxes				944,820	
Franchise taxes				693,239	
Motor vehicle in-lieu				56,154	
Gas Tax				272,452	
Assessment				383,682	
Interest and use of property				345,365	
Other				230,818	
Total general revenues and transfers					5,821,416
Change in net assets					893,859
Net assets, July 1, 2008					38,254,001
Prior period restatement (Note 12)					15,670
Net assets, July 1, 2008 (restated)					38,269,671
Net assets, June 30, 2009					\$ 39,163,530

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 5,268,378	\$ 1,335,324	\$ 421,697	\$ 7,025,399
Accounts receivable	387,799	763,977	311,588	1,463,364
Interest receivable	19,590	1,044	1,517	22,151
Due from other funds	<u>-</u>	<u>-</u>	<u>137,046</u>	<u>137,046</u>
TOTAL ASSETS	<u>\$ 5,675,767</u>	<u>\$ 2,100,345</u>	<u>\$ 871,848</u>	<u>\$ 8,647,960</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 293,655	\$ 123,007	\$ 32,956	\$ 449,618
Accrued payroll	96,872	-	-	96,872
Deferred revenue	-	34,075	-	34,075
Other liabilities	4,104	-	-	4,104
Due to fiduciary fund	435,439	-	177,604	613,043
Due to other funds	<u>134,472</u>	<u>638</u>	<u>1,936</u>	<u>137,046</u>
Total liabilities	<u>964,542</u>	<u>157,720</u>	<u>212,496</u>	<u>1,334,758</u>
 FUND BALANCES:				
Reserved for:				
Encumbrances	85,132	85,513	-	170,645
Unreserved, undesignated, reported in:				
General fund	4,626,093	-	-	4,626,093
Capital projects fund	-	1,857,112	-	1,857,112
Special revenue funds	<u>-</u>	<u>-</u>	<u>659,352</u>	<u>659,352</u>
Total fund balances	<u>4,711,225</u>	<u>1,942,625</u>	<u>659,352</u>	<u>7,313,202</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,675,767</u>	<u>\$ 2,100,345</u>	<u>\$ 871,848</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$17,923,551	30,745,078
Net pension asset is not capitalized and and is therefore not reported in the Governmental Funds	1,405,729
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(213,679)
Notes payable	<u>(86,800)</u>
Net assets of governmental activities	<u>\$ 39,163,530</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MORAGA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and assessments	\$ 4,532,945	\$ -	\$ 656,134	\$ 5,189,079
Intergovernmental	465,960	794,044	137,499	1,397,503
Interest and use of property	327,877	9,097	8,391	345,365
Fines, forfeitures and penalties	53,126	-	40,724	93,850
Charges for services	713,992	15,564	18,700	748,256
Other revenue	<u>147,860</u>	<u>386,704</u>	<u>1,014</u>	<u>535,578</u>
Total Revenues	<u>6,241,760</u>	<u>1,205,409</u>	<u>862,462</u>	<u>8,309,631</u>
EXPENDITURES				
Current operations:				
General administration	1,345,160	-	-	1,345,160
Planning	659,558	-	3,287	662,845
Public safety	2,195,268	-	-	2,195,268
Public works	1,565,105	-	183,563	1,748,668
Parks and recreation	523,095	-	46	523,141
Debt service: Principal	82,690	-	-	82,690
Capital outlay	<u>8,105</u>	<u>1,214,637</u>	<u>-</u>	<u>1,222,742</u>
Total expenditures	<u>6,378,981</u>	<u>1,214,637</u>	<u>186,896</u>	<u>7,780,514</u>
Revenues over (under) expenditures	<u>(137,221)</u>	<u>(9,228)</u>	<u>675,566</u>	<u>529,117</u>
Other financing sources (uses)				
Transfers in	913,061	178,694	-	1,091,755
Transfers out	<u>(153,484)</u>	<u>(399,503)</u>	<u>(538,768)</u>	<u>(1,091,755)</u>
Total other financing sources (uses)	<u>759,577</u>	<u>(220,809)</u>	<u>(538,768)</u>	<u>-</u>
Net change in fund balance	<u>622,356</u>	<u>(230,037)</u>	<u>136,798</u>	<u>529,117</u>
Fund balance, July 1, 2008	<u>4,088,869</u>	<u>2,144,583</u>	<u>534,963</u>	<u>6,768,415</u>
Fund balance Transfer (Note 11)	-	43,951	(43,951)	-
Prior period adjustments (Note 12)	-	(15,872)	31,542	15,670
Fund balance, July 1, 2008 (restated)	<u>4,088,869</u>	<u>2,172,662</u>	<u>522,554</u>	<u>6,784,085</u>
Fund balance, June 30, 2009	<u>\$ 4,711,225</u>	<u>\$ 1,942,625</u>	<u>\$ 659,352</u>	<u>\$ 7,313,202</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balance - total governmental funds	\$ 529,117
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets:

Capital assets purchases capitalized	1,214,041
Depreciation expense	(896,842)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Loan payments	82,690
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Net pension asset amortization expense	(48,473)
Accrued compensated absences	<u>13,326</u>

Change in net assets of governmental activities	\$ <u>893,859</u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 38,028
Interest receivable	398
Due from governmental fund	<u>613,043</u>
TOTAL ASSETS	\$ <u>651,469</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 78,081
Deposits	279,771
Deposits in trust	<u>293,617</u>
TOTAL LIABILITIES	\$ <u>651,469</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MORAGA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Amended Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes and assessments	\$ 4,033,866	\$ 4,161,919	\$ 4,532,945	\$ 371,026
Intergovernmental	309,440	329,520	465,960	136,440
Interest and use of property	251,365	303,792	327,877	24,085
Fines, forfeitures and penalties	16,500	34,550	53,126	18,576
Charges for services	621,030	547,346	713,992	166,646
Other	<u>132,455</u>	<u>89,897</u>	<u>147,860</u>	<u>57,963</u>
Total revenues	<u>5,364,656</u>	<u>5,467,024</u>	<u>6,241,760</u>	<u>774,736</u>
Expenditures				
General government	1,269,234	1,313,653	1,345,160	(31,507)
Planning	642,049	644,552	659,558	(15,006)
Public safety	2,310,226	2,315,770	2,195,268	120,502
Public works	1,813,267	1,850,909	1,565,105	285,804
Parks and recreation	531,920	533,949	523,095	10,854
Debt service principal	78,770	78,770	82,690	(3,920)
Capital outlay	<u>400</u>	<u>10,825</u>	<u>8,105</u>	<u>2,720</u>
Total expenditures	<u>6,645,866</u>	<u>6,748,428</u>	<u>6,378,981</u>	<u>369,447</u>
Revenues over (under) expenditures	<u>(1,281,210)</u>	<u>(1,281,404)</u>	<u>(137,221)</u>	<u>1,144,183</u>
Other financial sources (uses)				
Transfers in	1,249,130	1,249,130	1,037,955	(211,175)
Transfers out	<u>(55,740)</u>	<u>(141,373)</u>	<u>(278,378)</u>	<u>(137,005)</u>
Total other financial sources (uses)	<u>1,193,390</u>	<u>1,107,757</u>	<u>759,577</u>	<u>(348,180)</u>
Revenues over (under) expenditures, net of other financial sources (uses)	<u>(87,820)</u>	<u>(173,647)</u>	<u>622,356</u>	<u>796,003</u>
Fund balance, July 1, 2008	<u>4,088,869</u>	<u>4,088,869</u>	<u>4,088,869</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ 4,001,049</u>	<u>\$ 3,915,222</u>	<u>\$ 4,711,225</u>	<u>\$ 796,003</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Moraga was incorporated November 1974. The Town operates under a Council-Manager form of government and provides the following services: Public safety (police), highways and streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

A. The Reporting Entity

The financial statements of the Town of Moraga have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

B. Basis of Presentation

The Town's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These standards require that the financial statements described below be presented.

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include the activities of the overall Town government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities of the Town. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including fiduciary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into five major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town, designated by management, or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

Governmental funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Funds

Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital projects other than those financed by enterprise funds.

Fiduciary funds (not included in government-wide statements)

Agency Fund

The Agency Fund is a clearing type fund for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Major Funds

The Town reported the following major governmental funds in the accompanying financial statements:

General Fund

The Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund

The fund used to account for major capital improvement projects under Town Management.

C. Measurement Focus and Basis of Accounting

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All Governmental Funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- (b) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Town may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets are available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Property tax revenue is recognized in the fiscal year for which the tax and assessment are levied. The County of Contra Costa levies, bills and collects property taxes and special assessments for the Town. Under the County's "Teeter Plan," the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Town in the fiscal year they are assessed.

D. Cash and Cash Equivalents

The Town maintains a cash and investments pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Investments held at June 30, 2009 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be stated at fair value are stated at cost or amortized cost.

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accounts and Interest Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts. Any doubtful accounts at June 30, 2009 were not considered material. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Any doubtful accounts at June 30, 2009 were not considered material.

F. Capital Assets

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets with an historical cost over \$1,000 are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

With the implementation of GASB Statement 34, the Town has recorded all its public domain (infrastructure) capital assets, which include streets, bridges, roads, storm drains, and parks.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings, Grounds, Improvements	40 - 50 years
Equipment	5 years
Infrastructure	7 - 100 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

G. Accumulated Compensated Absences

Compensated absences are comprised of unused vacation leave and compensatory time off, which are accrued as earned. No compensation is payable for sick leave. The Town's liability for compensated absences is determined annually. The portion expected to be permanently liquidated is recorded in the governmental funds and are recorded as fund liabilities. The long-term portion is recorded in the statement of net assets.

TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Interfund Transactions

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

I. Equity Classifications

Government-wide Statements

Net Assets are the excess of all the Town's assets over all its liabilities, regardless of fund. Net Assets are divided into three categories under GASB Statement 34. These categories apply only to Net Assets, which is determined at the Government-wide level, and are described below:

- (a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Reserve for encumbrances represents the portion of fund balance set aside for open purchase orders.

Reserves for supplies, advances, land held for redevelopment, and notes and loans receivable are the portions of fund balances set aside to indicate these items do not represent available, spendable resources even though they are an asset of the Fund.

Reserve for debt service is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.

TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

	Total
Statement of net assets:	
Cash and investments	\$ 7,025,399
Fiduciary funds:	
Cash and investments	38,028
Total cash and investments	\$ 7,063,427

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 550
Deposits with financial institutions	637,035
Investments	6,425,842
Total cash and investments	\$ 7,063,427

Authorized Investments of the Town

The table below identifies the investment types that are authorized for the Town by the California Government Code (or the Town's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Town's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bank savings accounts and demand deposits (collateralized or insured)	N/A	25%	10%
Certificates of deposit (collateralized or insured)	2 years	25%	10%
U.S. Treasury Securities	5 years	None	None
Federal agency obligations	5 years	50%	20%
Local Agency Investment Fund (LAIF)	N/A	None	None
Banker's Acceptances	180 days	20%	10%
Commercial Paper (rated A1 or greater)	270 days	20%	10%
Negotiable Certificates of Deposit	2 years	25%	10%
Medium term corporate notes (rated AA or greater)	5 years	25%	10%

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the Town's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity as of June 30, 2009:

Investment type	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Local Area Investment Fund (LAIF)	\$ 6,425,842	\$ -	\$ 6,425,842

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Town has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

Investment type	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Local Area Investment Fund (LAIF)	\$ 6,425,842			Not rated

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Town holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Town investment.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Town investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Town's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2009, the Town's bank balances were \$659,833, of which \$250,000 was insured.

TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment in State and County Investment Pool

The Town is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Town's investment in LAIF is reported in the accompanying financial statements at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated quarterly based on the average cash balances of the previous quarter in each fund receiving interest.

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

Governmental activities:	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
<u>Capital asset, not being depreciated:</u>				
Land and easements	\$ 10,003,951	\$ -	\$ -	\$ 10,003,951
Construction in progress	<u>555,043</u>	<u>1,164,005</u>	<u>-</u>	<u>1,719,048</u>
Total capital assets, not being depreciated	<u>10,558,994</u>	<u>1,164,005</u>	<u>-</u>	<u>11,722,999</u>
<u>Capital assets, being depreciated:</u>				
Buildings and improvements	4,084,529	-	-	4,084,529
Roadway and related	26,668,670	14,395	-	26,683,065
Storm drains	3,078,067	-	-	3,078,067
Parks and recreation	1,973,588	28,989	-	2,002,577
Equipment and furniture	<u>1,090,740</u>	<u>6,652</u>	<u>-</u>	<u>1,097,392</u>
Total capital assets, being depreciated	<u>36,895,594</u>	<u>50,036</u>	<u>-</u>	<u>36,945,630</u>
<u>Accumulated depreciation:</u>				
Buildings and improvements	(818,698)	(80,844)	-	(899,542)
Roadway and related	(12,750,053)	(604,184)	-	(13,354,237)
Storm drains	(1,941,268)	(47,155)	-	(1,988,423)
Parks and recreation	(687,306)	(59,774)	-	(747,080)
Equipment and furniture	<u>(829,384)</u>	<u>(104,885)</u>	<u>-</u>	<u>(934,269)</u>
Total accumulated depreciation	<u>(17,026,709)</u>	<u>(896,842)</u>	<u>-</u>	<u>(17,923,551)</u>
Governmental activities capital assets, net	<u>\$ 30,427,879</u>	<u>\$ 317,199</u>	<u>\$ -</u>	<u>\$ 30,745,078</u>

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:	
General Administration	\$ 95,414
Planning	11,654
Public safety	45,159
Public Works	677,558
Parks and recreation	<u>67,057</u>
Total governmental activities depreciation expense	<u>\$ 896,842</u>

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: LONG-TERM LIABILITIES

Governmental Activities

The following is a summary of long-term debt transactions related to governmental activities of the Town of the year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Note payable	\$ 169,490	\$ -	\$ (82,690)	\$ 86,800	\$ 86,800
Compensated Absences	<u>229,899</u>	<u>307,750</u>	<u>(323,970)</u>	<u>213,679</u>	<u>3,257</u>
Governmental activities long-term liabilities	<u>\$ 399,389</u>	<u>\$ 307,750</u>	<u>\$ (406,660)</u>	<u>\$ 300,479</u>	<u>\$ 90,057</u>

Note Payable

The Town signed a promissory note for \$408,060 in connection with the 329 Rheem Boulevard renovation project in December 2005. Principal and interest on the note at 4.910% are due semi-annually for five years in June and December. Interest expense was \$7,353 for the year ended June 30, 2009.

Future annual payments on the note payable are as follows:

<u>For the Year Ending, June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 86,800	\$ 3,196

Compensated Absences

The liability for compensated absences is the accrued liability for earned but unused vacation which will be paid to employees upon separation for the Town's service. Compensated absences is liquidated by the general fund.

NOTE 5: INTERFUND TRANSACTIONS

Due to/from other funds

The composition of interfund balances as of June 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency Funds	General Fund	\$ 435,439
	Nonmajor Governmental Funds	<u>177,604</u>
		<u>613,043</u>
Nonmajor Governmental Funds	General Fund	134,473
	Capital Projects Fund	637
	Nonmajor Governmental Funds	<u>1,936</u>
		<u>\$ 137,046</u>

Balances recorded as Due to/from other funds resulted from loans made to cover operating cash deficits.

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers

The following schedule briefly summarizes the Town's transfer activity:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ <u>153,484</u>
Nonmajor Governmental Funds	General Fund	513,558
	Capital Projects Fund	<u>25,210</u>
		\$ <u>538,768</u>
Capital Projects Fund	General Fund	\$ <u>399,503</u>

Transfers were primarily used to fund activities and the acquisition of capital assets acquired by the funds.

NOTE 6 - LAMORINDA FEE AND FINANCING AUTHORITY

The Town of Moraga entered into a Joint Powers Agreement with the Cities of Lafayette and Orinda, to administer an adopted sub-regional transportation and traffic impact fee for the Lamorinda region under the authority of the Contra Costa County half cent sales tax measure adopted in 1988. The fees collected under the Authority from new construction are used to mitigate increased traffic in the region. The Authority paid \$3,648 in administrative fees to the Town for the year ended June 30, 2009.

Condensed audited financial statements of the Lamorinda Fee and Financing Authority at June 30, 2009 are as follows. Complete financial statements of the JPA are available at the Town of Moraga office.

Total Assets	\$ 209,398
Total Liabilities	-
Total Revenue	183,242
Total Expenditures	3,648
Change in Net Assets	179,594
Total Net Assets	209,398

NOTE 7: RETIREMENT PLANS

Public Employee Retirement System (PERS) - A defined benefit plan

The Town contributes to the California Public Employee's Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Town's employees participate in the separate Safety (police) and Miscellaneous (all other) Employee Plans. Eligible employees who retire at or after age 55, with a minimum of five years of credited service, are entitled to a monthly retirement benefit based upon compensation, years of credited service and retirement age. CalPERS also provides limited death, disability and survivor benefits. Benefit provisions and all other requirements are established by State statute and Town ordinances. Copies of the CalPERS annual financial report may be obtained from their office at 400 P Street, Sacramento, CA 95814.

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 - RETIREMENT PLANS (CONTINUED)

Funding Policy

Participating employees are required to contribute seven percent of their salary to CalPERS. The Town historically has paid 4% of the 7% employee required portion per resolution 14 – 98. Effective January 19, 2001, the Town adopted a resolution to pay 5% of the 7% of the employee required contribution. In addition, the Town's contract with CalPERS was amended to provide membership for part-time employees, which has been part of the Social Security System.

The Plans' provisions and benefits in effect for the year ended June 30, 2009, are summarized as follows:

	<u>Safety Plan</u>	<u>Miscellaneous Plan</u>
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	55
Required employer contribution rates	12.882%	8.018%

Annual Pension Cost

The required contribution for fiscal year 2008/2009 was determined as part of the June 30, 2007 actuarial valuation. The significant actuarial assumptions used in the valuation of the plan are as follows:

Actuarial cost method	Entry Age
Amortization method	Level Percent of Payroll
Average remaining period	13 Years as of the Valuation Date for Safety Police Plan, 16 Years for Miscellaneous Plan
Asset valuation method	15 Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation rate	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

Three Year Trend Information for PERS			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	439,020	100%	-
2008	498,203	100%	-
2009	376,636	100%	-

Funded Status and Funding Progress

The following schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 - RETIREMENT PLANS (CONTINUED)

Safety Plan Schedule of Funded Status and Funding Progress

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
June 30, 2005	742,247,338	646,358,708	95,888,630	87.1%	115,062,820	83.3%
June 30, 2006	534,135,011	460,948,462	73,186,549	86.3%	84,179,637	86.9%
June 30, 2007	462,354,459	403,484,775	58,869,684	87.3%	7,238,836	81.4%

Miscellaneous Plan Schedule of Funded Status and Funding Progress

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
June 30, 2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
June 30, 2006	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%
June 30, 2007	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%

Net Pension Asset

In June 2008 the Town contributed \$1,454,202 to their Net Pension Obligation. This created a net pension asset in the government-wide financial statements. The net pension asset was funded from developer fee revenue. The net pension asset is amortized over a 30 year amortization period, which began in 2009. Amortization expense for the year ended June 30, 2009 was \$48,473.

NOTE 8: RISK MANAGEMENT

Insurance coverage

The Town purchases its insurance through Municipal Pooling Authority (MPA), formerly Contra Coast Municipal Risk Management Insurance Authority (CCMRMIA)

The following is a summary of coverage:

	Participating Cities' Total Coverage	Deductible (Town Portion)
All risk fire and property	\$ 350,000,000	\$ 5,000
Boiler and machinery	90,000,000	5,000
Liability	19,000,000	10,000
Auto-physical damage	250,000	2,000
Worker's compensation	150,000,000	0

The total coverage includes the Town's deductible, the portion underwritten by MPA and the portion underwritten by other insurance companies. Management believed such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9: CONTINGENT LIABILITIES AND COMMITMENTS

The Town has received federal and state grants for specific purposes that are subject to review and audit by the federal and state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

**TOWN OF MORAGA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 10: SUBSEQUENT EVENT

On July 28, 2009, the California legislature and Governor Arnold Schwarzenegger passed the state budget and approved a provision allowing the state to borrow 8% of the amount of property tax revenue apportioned to cities, counties, and special districts. Under the provision, the state will be required to repay those obligations by June 13, 2013. The provision also created an option for California local public agencies to relieve the burden of loaning the state property tax revenue. The provision, called Proposition 1A Securitization, authorizes the California Statewide Communities Development Authority ("California Communities") to purchase the receivable due to local agencies from the State. In a simultaneous transaction, California Communities will issue bonds and remit the cash proceeds to the participating local public agencies. To offset the shortages related to the borrowing of property taxes, the Town has elected to participate in the Proposition 1A Securitization program.

NOTE 11: FUND BALANCE TRANSER

During the year management elected to reclassify of the Traffic Mitigation Fund from a special revenue fund to a capital projects fund. For the year ended June 30, 2009, \$43,951 of fund balance was transfered to the Capital Projects fund.

NOTE 12: PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that in the prior year an account was erroneously classified as an accrued liability instead of reimbursement income. To correct this error, beginning fund balance of the Park Dedication Fund has been increased by \$31,542.

During the year, it was discovered that prior year receivables had been overstated in the amount of \$15,872. To correct this error, beginning fund balance of the Capital Projects Fund has been decreased by \$15,872.

**TOWN OF MORAGA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Gasoline Tax</u>	<u>Transportation Measure C Fund</u>	<u>Park Dedication</u>	<u>Lighting District</u>	<u>Traffic Mitigation</u>	<u>Traffic Safety</u>
<u>ASSETS</u>						
Cash and equivalents	\$ 21	\$ -	\$ 118,508	\$ 55,234	\$ -	\$ 97,074
Accounts receivable	24,333	251,790	-	-	-	2,811
Interest receivable	-	-	416	723	-	296
Due from other funds	<u>7,632</u>	<u>-</u>	<u>637</u>	<u>128,777</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 31,986</u>	<u>\$ 251,790</u>	<u>\$ 119,561</u>	<u>\$ 184,734</u>	<u>\$ -</u>	<u>\$ 100,181</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 32,956	\$ -	\$ -
Due to fiduciary funds	-	177,604	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>177,604</u>	<u>-</u>	<u>32,956</u>	<u>-</u>	<u>-</u>
Fund balances	<u>31,986</u>	<u>74,186</u>	<u>119,561</u>	<u>151,778</u>	<u>-</u>	<u>100,181</u>
Total Liabilities and Fund Balances	<u>\$ 31,986</u>	<u>\$ 251,790</u>	<u>\$ 119,561</u>	<u>\$ 184,734</u>	<u>\$ -</u>	<u>\$ 100,181</u>

**TOWN OF MORAGA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>National Pollution Discharge Elimination System District</u>	<u>Traffic Congestion</u>	<u>Asset Forfeiture</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and equivalents	\$ 38,402	\$ 101,326	\$ 11,132	\$ 421,697
Accounts receivable	-	32,654	-	311,588
Interest receivable	40	-	42	1,517
Due from other funds	-	-	-	137,046
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 38,442</u>	<u>\$ 133,980</u>	<u>\$ 11,174</u>	<u>\$ 871,848</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 32,956
Due to fiduciary funds	-	-	-	177,604
Due to other funds	1,936	-	-	1,936
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,936</u>	<u>-</u>	<u>-</u>	<u>212,496</u>
Fund balances	<u>36,506</u>	<u>133,980</u>	<u>11,174</u>	<u>659,352</u>
Total Liabilities and Fund Balances	<u>\$ 38,442</u>	<u>\$ 133,980</u>	<u>\$ 11,174</u>	<u>\$ 871,848</u>

TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Gasoline Tax</u>	<u>Transportation Measure C Fund</u>	<u>Park Dedication</u>	<u>Lighting District</u>	<u>Traffic Mitigation</u>	<u>Traffic Safety</u>
<u>REVENUES</u>						
Taxes and assessment	\$ 272,452	\$ -	\$ -	\$ 165,743	\$ -	\$ -
Intergovernmental	-	819	-	-	-	-
Interest	239	-	2,055	3,310	-	2,318
Fines, forfeitures and penalties	-	-	-	-	-	40,724
Charges for services	-	-	18,700	-	-	-
Other revenue	-	-	1,014	-	-	-
Total revenues	<u>272,691</u>	<u>819</u>	<u>21,769</u>	<u>169,053</u>	<u>-</u>	<u>43,042</u>
<u>EXPENDITURES</u>						
Planning	-	3,287	-	-	-	-
Public works	-	-	-	182,643	-	-
Parks and recreation	-	-	46	-	-	-
Total expenditures	<u>-</u>	<u>3,287</u>	<u>46</u>	<u>182,643</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>272,691</u>	<u>(2,468)</u>	<u>21,723</u>	<u>(13,590)</u>	<u>-</u>	<u>43,042</u>
Other financing sources (uses)						
Operating transfers out	<u>(250,000)</u>	<u>(15,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Total other financing sources (uses)	<u>(250,000)</u>	<u>(15,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Net change in fund balance	<u>22,691</u>	<u>(17,678)</u>	<u>21,723</u>	<u>(13,590)</u>	<u>-</u>	<u>(31,958)</u>
Fund balances (deficits) - July 1, 2008	<u>9,295</u>	<u>91,864</u>	<u>66,296</u>	<u>165,368</u>	<u>43,951</u>	<u>132,139</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>31,542</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,951)</u>	<u>-</u>
Fund balances - June 30, 2009	<u>\$ 31,986</u>	<u>\$ 74,186</u>	<u>\$ 119,561</u>	<u>\$ 151,778</u>	<u>\$ -</u>	<u>\$ 100,181</u>

TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

	<u>National Pollution Discharge Elimination System District</u>	<u>Traffic Congestion</u>	<u>Asset Forfeiture</u>	<u>Total</u>
REVENUES				
Taxes and assessment	\$ 217,939	\$ -	\$ -	\$ 656,134
Intergovernmental	-	136,680	-	137,499
Interest	169	74	226	8,391
Fines, forfeitures and penalties	-	-	-	40,724
Charges for services	-	-	-	18,700
Other revenue	-	-	-	1,014
Total revenues	<u>218,108</u>	<u>136,754</u>	<u>226</u>	<u>862,462</u>
EXPENDITURES				
Planning	-	-	-	3,287
Public works	920	-	-	183,563
Parks and recreation	-	-	-	46
Total expenditures	<u>920</u>	<u>-</u>	<u>-</u>	<u>186,896</u>
Revenues over (under) expenditures	<u>217,188</u>	<u>136,754</u>	<u>226</u>	<u>675,566</u>
Other financing sources (uses)				
Operating transfers out	<u>(198,558)</u>	<u>-</u>	<u>-</u>	<u>(538,768)</u>
Total other financing sources (uses)	<u>(198,558)</u>	<u>-</u>	<u>-</u>	<u>(538,768)</u>
Net change in fund balance	<u>18,630</u>	<u>136,754</u>	<u>226</u>	<u>136,798</u>
Fund balances (deficits) - July 1, 2008	<u>17,876</u>	<u>(2,774)</u>	<u>10,948</u>	<u>534,963</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,542</u>
Fund Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,951)</u>
Fund balances - June 30, 2009	<u>\$ 36,506</u>	<u>\$ 133,980</u>	<u>\$ 11,174</u>	<u>\$ 659,352</u>

**TOWN OF MORAGA
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2009**

	<u>General Fund</u>	<u>Developer Fee Fund</u>	<u>COPS/AVA Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,877,641	\$ 2,390,737	\$ -	\$ 5,268,378
Accounts receivable	340,998	-	46,801	387,799
Interest receivable	19,398	-	192	19,590
Due from other funds	<u>-</u>	<u>-</u>	<u>43,385</u>	<u>43,385</u>
Total Assets	<u>\$ 3,238,037</u>	<u>\$ 2,390,737</u>	<u>\$ 90,378</u>	<u>\$ 5,719,152</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 284,832	\$ -	\$ 8,823	\$ 293,655
Accrued payroll	96,872	-	-	96,872
Other liabilities	4,104	-	-	4,104
Due to other funds	<u>613,296</u>	<u>-</u>	<u>-</u>	<u>613,296</u>
Total liabilities	<u>999,104</u>	<u>-</u>	<u>8,823</u>	<u>1,007,927</u>
FUND BALANCES:				
Reserved for:				
Encumbrances	85,132	-	-	85,132
Fund balance, unreserved, and undesignated	<u>2,153,801</u>	<u>2,390,737</u>	<u>81,555</u>	<u>4,626,093</u>
Total fund balance	<u>2,238,933</u>	<u>2,390,737</u>	<u>81,555</u>	<u>4,711,225</u>
Total liabilities and fund balances	<u>\$ 3,238,037</u>	<u>\$ 2,390,737</u>	<u>\$ 90,378</u>	<u>\$ 5,719,152</u>

TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Developer Fee Fund</u>	<u>COPS/AVA Fund</u>	<u>Total</u>
<u>REVENUES</u>				
Taxes and assessments	\$ 4,532,945	\$ -	\$ -	\$ 4,532,945
Intergovernmental	365,960	-	100,000	465,960
Interest	327,685	-	192	327,877
Fines, forfeitures and penalties	53,126	-	-	53,126
Charges for services	713,992	-	-	713,992
Other revenue	147,860	-	-	147,860
Total Revenues	<u>6,141,568</u>	<u>-</u>	<u>100,192</u>	<u>6,241,760</u>
<u>EXPENDITURES</u>				
Current Operations:				
General Administration	1,345,160	-	-	1,345,160
Planning	659,558	-	-	659,558
Public safety	2,185,899	-	9,369	2,195,268
Public works	1,565,105	-	-	1,565,105
Parks and recreation	523,095	-	-	523,095
Debt Service: Principal	82,690	-	-	82,690
Capital Outlay	8,105	-	-	8,105
Total expenditures	<u>6,369,612</u>	<u>-</u>	<u>9,369</u>	<u>6,378,981</u>
Revenues over (under) expenditures	<u>(228,044)</u>	<u>-</u>	<u>90,823</u>	<u>(137,221)</u>
Other financing sources (uses)				
Transfers in	934,183	-	103,772	1,037,955
Transfers out	(122,869)	-	(155,509)	(278,378)
Total other financing sources (uses)	<u>811,314</u>	<u>-</u>	<u>(51,737)</u>	<u>759,577</u>
Net change in fund balance	<u>583,270</u>	<u>-</u>	<u>39,086</u>	<u>622,356</u>
Fund balance, July 1, 2008	<u>1,655,663</u>	<u>2,390,737</u>	<u>42,469</u>	<u>4,088,869</u>
Fund balance, June 30, 2009	<u>\$ 2,238,933</u>	<u>\$ 2,390,737</u>	<u>\$ 81,555</u>	<u>\$ 4,711,225</u>

**TOWN OF MORAGA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2009**

	<u>Community Facilities/ Open Space Fund</u>	<u>Asset Replacement Fund</u>	<u>Federal Grant/ Reimbursement</u>	<u>Prop 1 B</u>	<u>Comcast Grant Unrestricted</u>
<u>Assets</u>					
Cash and equivalents	\$ -	\$ 921,555	\$ -	\$ 206,441	\$ 14,040
Accounts receivable	-	-	763,977	-	-
Interest receivable	-	-	-	1,024	-
Due from other funds	-	1,893	-	111,976	150,885
Total assets	<u>-</u>	<u>923,448</u>	<u>763,977</u>	<u>319,441</u>	<u>164,925</u>
<u>Liabilities and Fund Balances</u>					
Accounts payable	-	-	113,639	9,368	-
Deferred Revenue	-	-	34,075	-	-
Due to other funds	1,894	-	262,861	-	-
Total liabilities	<u>1,894</u>	<u>-</u>	<u>410,575</u>	<u>9,368</u>	<u>-</u>
Fund balances (deficit)	<u>(1,894)</u>	<u>923,448</u>	<u>353,402</u>	<u>310,073</u>	<u>164,925</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 923,448</u>	<u>\$ 763,977</u>	<u>\$ 319,441</u>	<u>\$ 164,925</u>

**TOWN OF MORAGA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND (CONTINUED)
JUNE 30, 2009**

	<u>Comcast Grant Restricted</u>	<u>Street Improvements</u>	<u>Public Safety Impact Fees</u>	<u>Local Transportation Impact Fees</u>	<u>Storm Drain Impact Fees</u>
Assets					
Cash and equivalents	\$ 177,724	\$ -	\$ 682	\$ 476	\$ 7,278
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	1	1	9
Due from other funds	-	-	-	-	-
Total assets	<u>177,724</u>	<u>-</u>	<u>683</u>	<u>477</u>	<u>7,287</u>
Liabilities and Fund Balances					
Accounts payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)	<u>177,724</u>	<u>-</u>	<u>683</u>	<u>477</u>	<u>7,287</u>
Total liabilities and fund balances	<u>\$ 177,724</u>	<u>\$ -</u>	<u>\$ 683</u>	<u>\$ 477</u>	<u>\$ 7,287</u>

**TOWN OF MORAGA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND (CONTINUED)
JUNE 30, 2009**

	General Government Facilities Impact Fees	Park Impact Fees	Traffic Mitigation	Total
<u>Assets</u>				
Cash and equivalents	\$ 4,048	\$ 3,080	\$ -	\$ 1,335,324
Accounts receivable	-	-	-	763,977
Interest receivable	5	4	-	1,044
Due from other funds	-	-	-	264,754
Total assets	<u>4,053</u>	<u>3,084</u>	<u>-</u>	<u>2,365,099</u>
<u>Liabilities and Fund Balances</u>				
Accounts payable	-	-	-	123,007
Deferred Revenue	-	-	-	34,075
Due to other funds	-	-	637	265,392
Total liabilities	<u>-</u>	<u>-</u>	<u>637</u>	<u>422,474</u>
Fund balances (deficit)	<u>4,053</u>	<u>3,084</u>	<u>(637)</u>	<u>1,942,625</u>
Total liabilities and fund balances	<u>\$ 4,053</u>	<u>\$ 3,084</u>	<u>\$ -</u>	<u>\$ 2,365,099</u>

TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Community Facilities/ Open Space Fund</u>	<u>Asset Replacement Fund</u>	<u>Federal Grant/ Reimbursement</u>	<u>Prop 1 B</u>	<u>Comcast Grant Unrestricted</u>
Revenues					
Intergovernmental	\$ -	\$ -	\$ 794,044	\$ -	\$ -
Interest income	-	-	1,324	7,464	-
Charges for services	-	-	-	-	-
Other revenue	-	-	80,712	-	278,886
Total revenues	<u>-</u>	<u>-</u>	<u>876,080</u>	<u>7,464</u>	<u>278,886</u>
Expenditures					
Capital outlay	-	3,666	1,113,580	97,391	-
Total expenditures	<u>-</u>	<u>3,666</u>	<u>1,113,580</u>	<u>97,391</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>(3,666)</u>	<u>(237,500)</u>	<u>(89,927)</u>	<u>278,886</u>
Other financial sources					
Transfers in	-	55,740	519,238	-	-
Transfers out	-	(383,575)	(73,300)	-	(113,961)
Total other financial sources	<u>-</u>	<u>(327,835)</u>	<u>445,938</u>	<u>-</u>	<u>(113,961)</u>
Net change in fund balance	<u>-</u>	<u>(331,501)</u>	<u>208,438</u>	<u>(89,927)</u>	<u>164,925</u>
Fund balance (deficit), July 1, 2008	<u>(1,894)</u>	<u>1,254,949</u>	<u>160,836</u>	<u>400,000</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(15,872)</u>	<u>-</u>	<u>-</u>
Fund balance transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), July 1, 2008 (restated)	<u>(1,894)</u>	<u>1,254,949</u>	<u>144,964</u>	<u>400,000</u>	<u>-</u>
Fund balance (deficit), June 30, 2009	<u>\$ (1,894)</u>	<u>\$ 923,448</u>	<u>\$ 353,402</u>	<u>\$ 310,073</u>	<u>\$ 164,925</u>

TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Comcast Grant Restricted</u>	<u>Street Improvements</u>	<u>Public Safety Impact Fees</u>	<u>Local Transportation Impact Fees</u>	<u>Storm Drain Impact Fees</u>
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	1	1	9
Charges for services	-	-	682	476	7,278
Other revenue	27,106	-	-	-	-
Total revenues	<u>27,106</u>	<u>-</u>	<u>683</u>	<u>477</u>	<u>7,287</u>
Expenditures					
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>27,106</u>	<u>-</u>	<u>683</u>	<u>477</u>	<u>7,287</u>
Other financial sources					
Transfers in	150,618	-	-	-	-
Transfers out	-	(330,692)	-	-	-
Total other financial sources	<u>150,618</u>	<u>(330,692)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>177,724</u>	<u>(330,692)</u>	<u>683</u>	<u>477</u>	<u>7,287</u>
Fund balance (deficit), July 1, 2008	<u>-</u>	<u>330,692</u>	<u>-</u>	<u>-</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), July 1, 2008 (restated)	<u>-</u>	<u>330,692</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), June 30, 2009	<u>\$ 177,724</u>	<u>\$ -</u>	<u>\$ 683</u>	<u>\$ 477</u>	<u>\$ 7,287</u>

TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

	General Government Facilities Impact Fees	Park Impact Fees	Traffic Mitigation	Total
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ 794,044
Interest income	5	4	289	9,097
Charges for services	4,048	3,080	-	15,564
Other revenue	-	-	-	386,704
Total revenues	<u>4,053</u>	<u>3,084</u>	<u>289</u>	<u>1,205,409</u>
Expenditures				
Capital outlay	-	-	-	1,214,637
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,214,637</u>
Revenues over (under) expenditures	<u>4,053</u>	<u>3,084</u>	<u>289</u>	<u>(9,228)</u>
Other financial sources				
Transfers in	-	-	-	725,596
Transfers out	-	-	(44,877)	(946,405)
Total other financial sources	<u>-</u>	<u>-</u>	<u>(44,877)</u>	<u>(220,809)</u>
Net change in fund balance	<u>4,053</u>	<u>3,084</u>	<u>(44,588)</u>	<u>(230,037)</u>
Fund balance (deficit), July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,144,583</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,872)</u>
Fund balance transfer	<u>-</u>	<u>-</u>	<u>43,951</u>	<u>43,951</u>
Fund balance (deficit), July 1, 2008 (restated)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,128,711</u>
Fund balance (deficit), June 30, 2009	<u>\$ 4,053</u>	<u>\$ 3,084</u>	<u>\$ (637)</u>	<u>\$ 1,942,625</u>

**TOWN OF MORAGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
Environmental Protection Agency		
DHS Disaster Grants - Public Assistance	97.036	\$ 69,604
U.S. Department of Transportation		
Highway Planning and Construction	20.205	<u>657,338</u>
Total expenditures of federal awards		\$ <u>726,942</u>

See accompanying notes to schedule of expenditures of federal awards.

**TOWN OF MORAGA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE A—BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Moraga and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
 MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
 IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of the Town Council
 Town of Moraga, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moraga, as of and for the year ended June 30, 2009, which collectively comprise the Town of Moraga's basic financial statements and have issued our report thereon dated January 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Moraga's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Town of Moraga's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Moraga's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Moraga's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Moraga's financial statements that is more than inconsequential will not be prevented or detected by the Town of Moraga's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Moraga's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Moraga's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PRINCIPALS

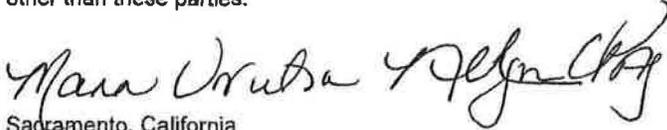
Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Christine L. Collins, EA

Kriss Ann Mann, CPA CC **C-39** in J. Williams, CPA

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Town of Moraga in a separate letter dated January 4, 2010.

This report is intended solely for the information and use of management, the audit committee, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink, appearing to read "Maria Urutza Nelson". The signature is written in a cursive style with a large, looping initial "M".

Sacramento, California
January 4, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
 AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CIRCULAR A-133**

The Honorable Mayor and Members of the Town Council
 Town of Moraga, California

Compliance

We have audited the compliance of the Town of Moraga with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Town of Moraga's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Moraga's management. Our responsibility is to express an opinion on the Town of Moraga's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Moraga's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Moraga's compliance with those requirements.

In our opinion, the Town of Moraga complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Town of Moraga is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Moraga's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Moraga's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

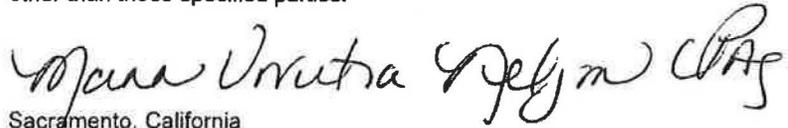
PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Christine L. Collins, EA

Kriss Ann Mann, CPA CC **C-41** in J. Williams, CPA

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Maria Urutera" followed by a stylized monogram or initials.

Sacramento, California
January 4, 2010

**TOWN OF MORAGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Major programs are as follows: 20.200 Highway Research and Highway Planning and Construction	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.	None
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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for Federal Awards, which includes audit findings and defined in Section 510(a).	None
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APPENDIX D

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

Closing Date, 2010

Town Council
Town of Moraga
329 Rheem Boulevard
Moraga, CA 94556

Town of Moraga
2010 Certificates of Participation
(Town Hall Improvement Project)

(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel in connection with the execution and delivery of not to exceed \$_____ aggregate principal amount of Town of Moraga (the "Town") 2010 Certificates of Participation (the "Certificates"). In such connection, we have reviewed a site agreement, dated as of February 1, 2010 (the "Site Lease"), between the Town and the ABAG Finance Authority (the "Authority"), a facility lease, dated as of February 1, 2010 (the "Facility Lease") between the Town and the Authority, a trust agreement, dated as of February 1, 2010 (the "Trust Agreement"), among the Town, the Authority, and U.S. Bank, National Association, as trustee (the "Trustee"), a tax certificate of the Town, dated as of the date hereof (the "Tax Certificate"), certificates of the Town and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such items in the Facility Lease.

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

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. Our engagement with respect to the Certificate has concluded with its execution and delivery, and we disclaim any obligation to update this letter.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Town. We have not undertaken to verify independently, and have assumed, 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 first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Site Lease, the Facility Lease, the Trust Agreement and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest portion of Base Rental Payments to be included in gross income for federal income tax purposes.

In addition, we call attention to the fact that the rights and obligations under the Certificates, the Site Lease, the Facility Lease, the Trust Agreement and the Tax Certificate are 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, choice of law, choice of forum or waiver provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in or subject to the lien of the Site Lease, the Facility Lease or the Trust Agreement or the accuracy or sufficiency of the description of any such property contained therein.

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

1. The Town is a municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California.

2. The Site Lease, the Facility Lease and the Trust Agreement have been duly executed and delivered by the Town and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding obligations of the Town.

3. The obligation of the Town to make the Base Rental Payments during the term of the Facility Lease constitutes a valid and binding obligation of the Town, payable from funds of the Town lawfully available therefor, and does not constitute a debt of the Town or of the State of California within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Town or the State of California is obligated to levy or pledge any form of taxation or for which the Town or the State of California has levied or pledged any form of taxation.

4. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the owners of the Certificates are entitled to the benefit of the Trust Agreement.

5. The portion of each Base Rental Payment designated as and constituting interest paid by the Town under the Facility Lease and received by the registered owners of the Certificates 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. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the accrual or receipt of such interest or the ownership or disposition of the Certificates.

Faithfully yours,

MEYERS, NAVE, RIBACK, SILVER & WILSON

per

APPENDIX E

TOWN OF MORAGA STATEMENT OF INVESTMENT POLICY

Purpose. The purpose of this policy is to establish strategies, practices, and procedures to be used in administering the Town of Moraga investments. The goal is to establish guidelines to manage Town funds to maximize security and liquidity while also complying with this investment policy and California Government Code Sections 53600 through 53659, which govern investments for municipal governments.

Scope. This policy applies to all financial assets of the Town which are available for investment. Any bond fund investments will be held separately and made in accordance with the bond debenture requirements.

Objectives. The Town's investment objectives, in order of priority, are:

Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate both credit risk and interest rate risk.

Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. The portfolio should be structured so that securities mature concurrent with expected cash requirements. Since all possible cash requirements cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio should be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

Yield. The Town's yield objective is to achieve a reasonable rate of return rather than the maximum generation of income that might expose the Town to unacceptable levels of risk. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the investment risk and liquidity needs. Yield is of secondary importance compared to the safety and liquidity.

Diversity. The Town shall maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, issuer or security type.

Investment Strategies.

1. Buy and Hold. In order to minimize the impact of interest rate risk, it is intended that all investments will be held to maturity. Investments may be sold prior to maturity for cash flow, appreciation purposes or in order to limit losses, however, no investment shall be based solely on earnings anticipated from capital gains.

2. No Speculation. The purchase of securities with the intent to profit from favorable changes in market prices or market conditions is prohibited.

3. No Leveraging. Borrowing money for the purpose of investing is prohibited

4. Investment Manager. The Town Council may, upon recommendation of the Audit and Finance Committee, engage the services of one or more external investment managers to assist in the management of the Town's investment portfolio in a manner consistent with the Town's objectives. Such external managers may be granted limited discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940, or be exempt from such registration, and have at least \$5,000,000 in assets under management. Such external managers shall be prohibited from 1) selecting broker/dealers, 2) executing safekeeping arrangements, and 3) executing wire transfers.

Upon execution of any trade, the Town must receive confirmation directly from the broker/dealer and the custodian, not from the investment manager. Safekeeping of investments recommended by the investment manager shall be maintained by the Town's regular custodian, and not with the investment manager.

5. Financial Dealers and Institutions. The Finance Director and the Audit and Finance Committee shall obtain information from qualified financial institutions to determine if the institution makes markets in securities appropriate for the Town's needs, can assign qualified sales representatives and can provide written agreements to abide by the conditions set forth in the Town of Moraga Investment Policy. Investment accounts with all financial institutions shall be standard non-discretionary accounts and may not be margin accounts.

All financial institutions which desire to become qualified bidders for investment transactions must supply the following:

- Audited financial statements for the institution's three most recent fiscal years.
- At least three references from California local agencies whose portfolio size, investment objectives and risk preferences are similar to the Town's.
- A statement certifying that the institution has reviewed the California Government Code Section 53600 *et seq.* and the Town's Investment Policy and that all securities offered to the Town shall comply fully and in every instance with all provisions of the California Government Code.

The Finance Director will maintain a list of financial institutions authorized to provide investment services to the Town.

Authorized Investments:

The following investments are authorized:

1. Collateralized or insured bank savings accounts and demand deposits.
 - Investment in any one financial institution may not exceed 10% of the portfolio.
 - Investment in this category may not exceed 25% of the portfolio.
2. Collateralized or Insured Certificates of Deposit: Purchased through a bank or savings and loan association for a specified period of time at a specified rate of interest.
 - Maturity may not exceed 2 years.
 - Investment in any one financial institution may not exceed 10% of the portfolio.
 - Investment in this category may not exceed 25% of the portfolio.
3. United States Treasury Securities: Obligations issued by the U.S. Treasury for which the full faith and credit of the United States is pledged for payment of principal and interest.
 - Maturity may not exceed 5 years.
 - Investment in this category may be up to 100% of the portfolio.
4. Federal Agency Obligations: Obligations issued by Federal Government agencies or government sponsored agencies such as Government National Mortgage Association (GNMA), the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Corporation (FHLMC).
 - Maturity may not exceed 5 years.
 - Investment in any one Federal agency may not exceed 20% of the portfolio.
 - Investment in this category may not exceed 50% of the portfolio.

5. Local Agency Investment Fund (LAIF): The Local Agency Investment Fund is a money market fund established by the State of California that allows local agencies to pool their investment resources.

- Investment in this category may be up to 100% of the portfolio.

6. Banker's Acceptances: Bills of exchange or time drafts drawn on and accepted by commercial banks.

- The bank must be one of the 15 largest banks in the United States or one of the 50 largest banks in the world.
- Maturity may not exceed 180 days.
- Investment through any one bank may not exceed 10% of the portfolio.
- Investment in this category may not exceed 20% of the Town's portfolio.

7. Commercial Paper.

- The corporation must have assets in excess of \$500 million.
- The corporation's long term debentures must be rated at least Aa by Moody's and AA by S&P.
- The commercial paper must be rated PI by Moody's and A1 by S&P.
- Maturity may not exceed 270 days.
- Investment in corporate notes and commercial paper of any one corporation may not exceed 10% of the portfolio.
- Investment in this category may not exceed 20% of the portfolio.

8. Negotiable Certificates of Deposit: These are issued by nationally or state chartered banks, state or federal savings institutions, or state licensed branches of foreign banks.

- Maturity may not exceed 2 years.
- Investment in any one financial institution may not exceed 10% of the portfolio.
- Investment in this category may not exceed 25% of the portfolio.

9. Medium term Corporate Notes.

- The corporation must have assets in excess of \$500 million.
- The security must be rated at least Aa by Moody's and AA by S&P.
- Maturity may not exceed 5 years.
- Investment in corporate notes and commercial paper of any one corporation may not exceed 10% of the portfolio.
- Investment in this category may not exceed 25% of the portfolio.

Ineligible Investments: Ineligible investments are those that are not specifically authorized, including but not limited to, common stocks, reverse repurchase agreements, inverse floaters, range notes, mortgage derived interest only strips, derivatives securities, or any security that could result in zero interest accrual.

Collateralization: Collateral must always be held by an independent third party with whom the Town has a current custodial agreement.

State law regarding collateralization of deposits of public funds requires that securities be held by an agent (i.e., a trust company) of the bank, which may include the bank's trust department only if acceptable to both the bank and the Town, pursuant to California Government Code Sections 53656 and 53658. Under the provisions of California Government Code Section 53652, banks are required to secure the deposits of public funds, including certificates of deposits, by (a) pledging government securities with a value of 110% of the principal and accrued interest; (b) pledging first trust deed mortgage notes having a value of 150% of the total agency deposit; or, (c) a letter of credit drawn on the Federal Home Loan Bank at 105% of the total agency deposit. Deposits must be secured at all times with eligible securities pursuant to Section 53651. A copy of the Call Report of Local Agency's Deposits and Securities must be supplied to the Town and retained to document compliance with the collateral requirements.

The Town may waive the collateral requirements for deposits which are fully insured by the Federal Deposit Insurance Corporation.

Safekeeping and Custody: All security transactions shall be conducted on a delivery versus payment basis. Securities will be held by a third party qualified custodian and evidenced by safekeeping receipts. The trust department of the Town's bank may act as third party custodian, provided that the custodian agreement is separate and apart from the banking agreement.

Prudence: The Town shall operate its investments under the "Prudent Person Rule" which obligates a fiduciary to ensure that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment considering the probable safety of their capital as well as the probable income to be derived.

Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust.

Ethics and Conflict Of Interest: Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or could impair their ability to make impartial investment decisions. Town employees involved in the investment process shall disclose to the Town Manager any material financial interest in financial institutions that conduct business within the jurisdiction. They shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Officers shall refrain from undertaking any large personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

Investment Report: Within 60 days of the end of each fiscal quarter, the Finance Director shall send an investment report to the Town Manager, Audit and Finance Committee and Town Council. Reports may be rendered more frequently at the discretion of the Town Manager or Finance Director. As a minimum, the report should provide the following information:

- A narrative discussion of the performance of the investment portfolio, with comparisons to appropriate benchmarks.
- Detailed information for each investment, including information such as: description, par amount, maturity date, interest rate, yield to maturity, current market value and percentage of total portfolio.
- A statement that projected cash flow is adequate to meet expected obligations over the next six months or the circumstances under which projected cash flow will not be adequate to meet expected obligations.
- A statement that the portfolio is in compliance with this policy or how it deviates, if not in compliance.

Investment Policy Review: This investment policy shall be reviewed annually by the Audit and Finance Committee to ensure its consistency with the overall objectives of safety, liquidity and return, as well as its relevance to current law and financial/economic trends. The committee will send any recommended changes to the Town Council for approval.

GLOSSARY

Banker's Acceptance: a bearer time draft for a specified amount payable on a specified date. It is drawn on a bank by an individual or business seeking to finance domestic or international trade. The banker's acceptance is collateralized by commodity products. Sale of goods is usually the source of the borrower's repayment to the bank. The bank finances the borrower's transaction and then often sells the banker's acceptance on a discount

basis to an investor. At maturity, the bank is repaid and the investor holding the banker's acceptance receives par value from the bank.

Bond: an interest-bearing security issued by a corporation, quasi-governmental agency or other body, which can be executed through a bank or trust company. A bond is a form of debt with an interest rate, maturity, and face value, and is usually secured by specific assets. Most bonds have a maturity of greater than one year, and generally pay interest semiannually.

Bond Rating: the classification of a bond's investment quality.

Book Value: the amount at which a security is carried on the books of the holder or issuer. The book value is often the cost, plus or minus amortization, and may differ significantly from the market value.

Certificate of Deposit (CD): debt instrument by a bank that usually pays interest. Institutional CD's are issued in denominations of \$100,000 or more. Maturities range from a few weeks to several years. Interest rates are set by competitive forces in the marketplace.

Commercial Paper: short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with temporarily idle cash. Such instruments are unsecured and usually discounted.

Commission: the brokers or agent's fee for purchasing or selling securities for a client.

Credit Risk: the risk of loss due to the failure of the security issuer or backer.

Federal Deposit Insurance Corporation (FDIC): federal agency that guarantees (within limits) funds on deposit in member banks.

Federal Reserve System: the central bank of the United States which consists of a seven member Board of Governors, 12 regional banks and approximately 5,700 commercial

Fiscal Year: an accounting or tax period comprising any twelve month period. The Town's fiscal year begins on July 1.

Full Faith and Credit: the unconditional guarantee of the United States government backing a debt for repayment.

Interest Rate: the interest payable each year on borrowed funds, expresses as a percentage of the principal.

Interest Rate Risk: the risk that the market value of a security will fall due to changes in the general interest rates.

Investment: use of capital to create more money, either through income-producing vehicles or through more risk-oriented ventures designed to result in capital gains.

Investment Portfolio: a collection of securities held by a bank, individual, institution, or government agency for investment purposes.

LAIF: The Local Agency Investment Fund is a money market fund established by the State of California that allows local agencies to pool their investment resources.

Liquidity: the ability to convert a security into cash promptly with minimum risk of principal.

Market Value: the price at which a security is currently being sold in the market.

Maturity: the date that the principal or stated value of debt instrument becomes due and payable.

Moody's: Moody's Investors Service. One of two major rating services. The other is Standard & Poor's.

Portfolio: the collection of securities held by an individual or institution.

Principal: the face or par value of an instrument.

Rate of Return: 1) the yield which can be attained on a security based on its purchase price or its current market price;
2) income earned on an investment, expressed as a percentage of the cost of the investment.

Rating: the designation used by investors' services to rate the quality of a security's creditworthiness. Moody's ratings range from the highest Aaa, down through Aa, A, Bbb, Ba, B, etc. Standard and Poor's rating range from the highest AAA, down through AA, A, BBB, BB, B, etc.

Safekeeping: a service offered to customers for a fee, where securities are held in the vaults for protection.

Securities: investment instruments such as bonds, stocks and other instruments of indebtedness or equity.

S&P: Standard & Poor's. One of two major rating services. The other is Moody's Investors Service.

Treasury Bill (T-BILL): U.S. Treasury Bills are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks.

Trustee: a bank designated as the custodian of funds and the official representative for bondholders.

Underwriter: a dealer bank or financial institution which arranges for the sale and distribution of a large batch of securities and assumes the responsibility for paying the net purchase price.

U.S. Government Agencies: instruments issued by various U.S. government agencies most of which are secured only by the credit worthiness of the particular agency. This includes agencies such as the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

Yield: the annual rate of return on an investment, expressed as a percentage of the investment.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Certificates 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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates 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 each maturity of the Certificates, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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 Authority (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Authority, Fixed Income Clearing Authority, and Emerging Markets Clearing Authority (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.

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

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC’s records reflect only the identity of the Direct Participants to whose

accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The Town 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.

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

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") dated as of February 1, 2010, is executed and delivered by the Town of Moraga (the "Town") in connection with the execution and delivery by _____, as trustee (the "Trustee") of \$_____ aggregate principal amount of the Town of Moraga 2010 Certificates of Participation (the "Certificates") pursuant to a Trust Agreement dated as of February 1, 2010 (the "Trust Agreement"), by and among the Town, ABAG Finance Corporation (the "Corporation") and the Trustee. The Certificates represent fractional undivided interests in certain lease payments to be made by the Town to the Trustee as the irrevocable assignee and transferee by the Corporation under the Trust Agreement of the Corporation's right to receive such payments under the Facility Lease, dated as of February 1, 2010, by and between the Corporation, as lessor, and the Town, as lessee. In connection with the foregoing, the Town covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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

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

"Disclosure Representative" shall mean the Town Manager, the Administrative Services Director of the Town, or his or her designee, or such other officer or employee as the Town shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, _____, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the Town and which has filed with the then current Dissemination Agent a written acceptance of such designation.

"EMMA System" shall mean the Electronic Municipal Market Access system of the MSRB or such other electronic system as may be designated by the MSRB or the SEC as the sole Repository of disclosure information purposes of the Rule.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board, which has been designated by the SEC as the sole Repository of disclosure information for purposes of the Rule.

"Official Statement" shall mean the Official Statement for the Certificates dated _____, 2010.

"Participating Underwriter" shall mean Stone & Youngberg LLC, as the original underwriter of the Certificates.

"Repository" shall mean such national repository of disclosure information as shall be designated from time to time by the SEC. As of the date hereof, the MSRB is designated by the SEC as the sole Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports Upon Request.

(a) The Town shall, or shall cause the Dissemination Agent upon written direction to, not later than the February 1 next succeeding the end of any fiscal year of the Town, commencing February 1, 2011, provide to any person, if any, who may request it, an Annual Report which 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 compilation of documents, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

If requested, the Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Town’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Town will promptly notify the Repository and the Dissemination Agent of any change in the dates of the Town’s fiscal year. The Town shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Town hereunder. The Dissemination Agent may conclusively rely upon such certification of the Town and shall have no duty or obligation to review such Annual Report.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Town shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Town to determine if the Town is or intends to be in compliance with subsection (a).

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

(d) If an Annual Report has been requested, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report whether the MSRB remains the sole Repository, and if such is not the case, shall determine the name and address of each Repository; and

(ii) promptly after the Dissemination Agent’s receipt of the Annual Report, file written confirmation with the Town 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. The Dissemination Agent’s duties under this clause (ii) shall exist only if the Town provides the Annual Report to the Dissemination Agent for filing.

SECTION 4. Content of Annual Reports. Each Annual Report provided hereunder shall contain or include by reference the following:

(a) **Financial Statements.** The audited financial statements of the Town for its prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles applicable to the Town as promulgated from time to time by the Governmental Accounting Standards Board. If the Town is preparing audited financial statements and such 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, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. In the event that the Town shall modify the basis upon which its financial

statements, if any, are prepared, the Town shall provide a notice of such modification to each Repository, including a reference to the specific federal or state law or regulation describing such accounting basis.

(b) A copy of the Town's budget for the current fiscal year.

(c) To the extent that neither the audited financial statements nor the budget includes the information contained in Tables __ through __ of the Official Statement, then the Annual Report shall contain an update of the appropriate table or tables.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of securities issues of the Town or related public entities, which have been submitted to each of the Repositories. If any document included by reference is a final official statement, it must be available from the MSRB. The Town shall clearly identify in the Annual Report each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Town shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

- (1) principal and interest payment delinquencies.
- (2) non-payment related defaults.
- (3) unscheduled draws on any reserve fund for the Certificates reflecting financial difficulties.
- (4) unscheduled draws on any credit enhancements, if any, securing the Certificates reflecting financial difficulties.
- (5) any change in the provider of any letter of credit or any municipal bond insurance policy securing the Certificates, if any, or any failure by the providers of such letters of credit or municipal bond insurance policies to perform on the letter of credit or municipal bond insurance policy.
- (6) adverse tax opinions or events adversely affecting the tax-exempt status of the Certificates.
- (7) amendment to the Trust Agreement or this Disclosure Certificate modifying the rights of Bond Owners.
- (8) unscheduled redemption of any Bond.
- (9) defeasances.
- (10) any release, substitution, or sale of property securing repayment of the Certificates.
- (11) rating changes.

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

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

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

(e) If the Dissemination Agent has been instructed by the Town to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB or, in the event that the MSRB is no longer the sole Repository, to each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Certificates pursuant to the Trust Agreement. In no case shall the Dissemination Agent be obligated to file a notice as required in this subsection (e) prior to the occurrence of the applicable Listed Event.

(f) The Town hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Town and that the Dissemination Agent shall not be responsible for determining whether the Town's instructions to the Dissemination Agent under this Section 5 comply with the requirements hereof or of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the Town and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the Town shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days' prior written notice thereof to the Town. The Dissemination Agent shall not be responsible for the content or sufficiency of any report or notice prepared by the Town. The Dissemination Agent shall have no duty to prepare any information report, nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Town in a timely manner and in a form suitable for filing.

SECTION 8. Amendment. (a) This Disclosure Certificate may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Town or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Town an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Town, to the same effect as set forth in clause (2) above, (4) the Town shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Town, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Town shall have delivered copies of such opinion and amendment to each Repository.

(b) This Disclosure Certificate may be amended, by written agreement of the parties, upon obtaining consent of Owners at least 25% of the outstanding Certificates; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report 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. Such comparison shall include a quantitative and, to the extent reasonably feasible, 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.

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

The Town acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Town and the Certificates, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully satisfy all duties and obligations of the Town under such laws.

SECTION 10. Default. In the event of a failure of the Town or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town 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 Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The provisions of Article VI of the Trust Agreement are hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement, and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Town agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense or liability which the Dissemination Agent may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Town for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Town, the Owners or any other party. The obligations of the Town under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Certificate. Without limitation on the foregoing, the Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriter and Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 13. Notices. Without limitation on the foregoing requirements for the giving of notices or the dissemination of information, each notice provided hereunder shall be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative:

Administrative Services Director
Town of Moraga, California

2100 Donald Drive
Moraga, California 94556

Participating Underwriter:

Stone & Youngberg LLC
One Ferry Building
San Francisco, California 94111

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

Dated: _____, 2010

TOWN OF MORAGA

By: _____
Authorized Representative

[Dissemination Agent]

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Town of Moraga, California

Name of Issue: \$_____ 2010 Certificates of Participation

Date of Issuance: _____, 2010

NOTICE IS HEREBY GIVEN that the Town has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate approved pursuant to a Resolution adopted by the Town Council of the Town on _____, 2010. The Town anticipates that the Annual Report will be filed by _____.

Dated: _____

[Dissemination Agent]

By: _____

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