

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

\$15,585,000

**PITTSBURG INFRASTRUCTURE  
 FINANCING AUTHORITY  
 2011 Reassessment Revenue Refunding Bonds  
 Series A**

\$2,255,000

**PITTSBURG INFRASTRUCTURE  
 FINANCING AUTHORITY  
 2011 Reassessment Revenue Refunding Bonds  
 Subordinated Series B**

Dated: Date of Delivery

Due: September 2, as shown on inside cover

The \$15,585,000 principal amount of Pittsburg Infrastructure Financing Authority 2011 Reassessment Revenue Refunding Bonds, Series A (the “Senior Bonds”) are being issued by the Pittsburg Infrastructure Financing Authority (the “Authority”) pursuant to a Trust Agreement dated as of August 1, 2011 (the “Senior Trust Agreement”), among the Authority, the City of Pittsburg (the “City”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Senior Trustee”) and will be secured as described herein. The \$2,255,000 principal amount of Pittsburg Infrastructure Financing Authority 2011 Reassessment Revenue Refunding Bonds, Subordinated Series B (the “Subordinate Bonds”) and, together with the Senior Bonds, the “Bonds”) are being issued by the Authority pursuant to a separate Trust Agreement dated as of August 1, 2011 (the “Subordinate Trust Agreement”) and together with the Senior Trust Agreement, the “Trust Agreements”), among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Subordinate Trustee” and, together with the Senior Trustee, the “Trustee”) and will be secured as described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Bonds are being issued to: (i) acquire the entire issue of Limited Obligation Refunding Bonds, Reassessment District 2011-1 (the “Local Obligations”) to be issued by the City simultaneously with the issuance of the Bonds, (ii) fund a deposit into the Reserve Fund for the Senior Bonds, (iii) fund a deposit into the Reserve Fund for the Subordinate Bonds and (iv) pay certain costs of issuance associated with the issuance of the Bonds and the Local Obligations. The Local Obligations are being issued pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds for the purpose of refunding the Authority’s 1998 Reassessment Revenue Bonds, Series A and Subordinated Series B and three series of limited obligation improvement bonds of the City. See “PLAN OF REFUNDING.”

This cover page contains information for quick reference only. It is *not* a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “**BONDOWNERS’ RISKS**” for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

The Bonds will be issued in fully registered form only, and when issued, will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”). Ownership interests in the Bonds will be in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners of the Bonds will not receive physical certificates representing the Bonds purchased, but will receive a credit on the book of DTC Participants. Interest on the Bonds is payable on March 2 and September 2 of each year, commencing March 2, 2012. Principal of, premium, if any, on and interest on the Bonds will be paid by the Trustee to DTC, which in turn will remit such principal, premium, if any, and interest on the Bonds to its participants for subsequent distribution to beneficial owners of the Bonds. See APPENDIX E – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**The Bonds are subject to extraordinary, optional and mandatory redemption as described herein. See “THE BONDS – Senior Bonds Redemption Provisions” and “– Subordinate Bonds Redemption Provisions.”**

The Senior Bonds are secured by the Trust Estate described in the Senior Trust Agreement consisting primarily of a first pledge of Revenues and amounts held in the funds created for the benefit of Senior Bonds under the Senior Trust Agreement. The Subordinate Bonds are secured by the Trust Estate described in the Subordinate Trust Agreement consisting primarily of a subordinate pledge of Revenues in the form of a pledge of Subordinated Revenues and amounts held in the funds created for the benefit of the Subordinate Bonds under the Subordinate Trust Agreement. Revenues will be obtained by the Authority primarily from payments of the principal of and interest on the Local Obligations. Payment of the Local Obligations is secured by liens of unpaid reassessments levied upon property within the Reassessment District. Payments on the Local Obligations are calculated to be sufficient to permit the Authority to pay the principal of and the interest on the Bonds when due. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The scheduled payment of principal of and interest on the Senior Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Senior Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



Payments with respect to the Subordinate Bonds are not insured by an insurance policy. **Ownership of the Subordinate Bonds is subject to a significant degree of risk. The Subordinate Bonds are not rated by any national rating agency. Accordingly, there may be a limited trading market for the Subordinate Bonds. Potential investors are advised to read carefully the section entitled “BONDOWNERS’ RISKS – Absence of Market for the Subordinate Bonds.”**

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM THE TRUST ESTATE DESCRIBED IN EACH TRUST AGREEMENT AND SECURED AS TO THE PAYMENT OF THE PRINCIPAL OF AND THE REDEMPTION PREMIUMS, IF ANY, AND THE INTEREST ON IN ACCORDANCE WITH THEIR TERMS AND THE TERMS OF SUCH TRUST AGREEMENT, SOLELY BY SUCH TRUST ESTATE. THE BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR ANY OF ITS MEMBERS, AND UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE OBLIGATED TO PAY PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON THE BONDS EXCEPT FROM THE RESPECTIVE TRUST ESTATE. NEITHER THE STATE OF CALIFORNIA NOR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) NOR ANY MEMBER OF THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON THE BONDS. THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON, THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY, THE STATE OR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY.

*The Bonds are offered when, as and if issued, subject to the approval as to their legality by Meyers, Nave, Riback, Silver & Wilson, A Professional Law Corporation, Oakland, California, Bond Counsel to the Authority and certain other conditions. Certain legal matters will be passed on by Meyers, Nave, Riback, Silver & Wilson, A Professional Law Corporation, as general counsel and as Disclosure Counsel to the Authority. It is anticipated that the Bonds in book-entry only form will be available for delivery through the facilities of DTC in New York, New York on or about August 25, 2011.*

PiperJaffray

Stinson Securities, LLC

## MATURITY SCHEDULE

### \$15,585,000 Series A Bonds

<u>Maturity</u> (September 2)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>†</sup>
2012	\$830,000	2.00%	1.450%	724554BS8
2013	855,000	2.00%	1.980%	724554BT6
2014	890,000	3.00%	2.270%	724554BU3
2015	920,000	3.00%	2.570%	724554BV1
2016	945,000	3.00%	2.900%	724554BW9
2017	960,000	3.00%	3.230%	724554BX7
2018	1,015,000	5.00%	3.570%	724554BY5
2019	1,055,000	5.00%	3.870%	724554BZ2
2020	610,000	3.75%	4.090%	724554CA6
2020	500,000	5.00%	4.090%	724554DJ6
2021	805,000	4.00%	4.230%	724554CB4
2022	835,000	4.125%	4.450%	724554CC2
2023	755,000	4.375%	4.590%	724554CD0
2024	790,000	4.50%	4.680%	724554CE8
2025	510,000	4.625%	4.810%	724554CF5
2026	530,000	4.75%	4.930%	724554CG3

\$2,780,000 5.00% Term Bonds due September 2, 2031, Price 97.528%, Yield 5.200%, CUSIP<sup>†</sup>: 724554CM0

### \$2,255,000 Subordinated Series B Bonds

<u>Maturity</u> (September 2)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>†</sup>
2012	\$120,000	2.000%	2.100%	724554CN8
2013	125,000	3.000%	2.600%	724554CP3
2014	130,000	3.000%	2.920%	724554CQ1
2015	135,000	3.000%	3.270%	724554CR9
2016	135,000	3.375%	3.600%	724554CS7
2017	140,000	3.750%	3.930%	724554CT5
2018	150,000	4.000%	4.270%	724554CU2
2019	150,000	4.375%	4.570%	724554CV0
2020	160,000	4.500%	4.790%	724554CW8
2021	115,000	4.750%	4.960%	724554CX6
2022	120,000	5.000%	5.150%	724554CY4

\$370,000 5.375% Term Bonds due September 2, 2026, Price 97.436%, Yield 5.630%, CUSIP<sup>†</sup>: 724554DC1

\$405,000 5.75% Term Bonds due September 2, 2031, Price 97.220%, Yield 5.990%, CUSIP<sup>†</sup>: 724554DH0

<sup>†</sup> Copyright, American Bankers Association. CUSIP data herein are provided for convenience of reference only. None of the Authority, the City or the Underwriters take any responsibility for the accuracy of such CUSIP data.

**PITTSBURG INFRASTRUCTURE FINANCING AUTHORITY  
CITY OF PITTSBURG**

**CITY COUNCIL AND AUTHORITY OFFICERS**

Will Casey, *Mayor and Chair*  
Ben Johnson, *Vice Mayor and Vice Chair*  
Salvatore Evola, *Councilmember and Member*  
Pete Longmire, *Councilmember and Member*  
Nancy Parent, *Councilmember and Member*

**ELECTED CITY OFFICIALS AND AUTHORITY OFFICERS**

James F. Holmes, *Treasurer*  
Alice E. Evenson, *City Clerk and Secretary*

**CITY STAFF AND AUTHORITY STAFF OFFICERS**

Joe Sbranti, *City Manager*  
Garrett Evans, *Assistant City Manager*  
Marc Fox, *Assistant City Manager*  
Tina Olson, *Finance Director and Treasurer/Controller*

**SPECIAL SERVICES**

**BOND COUNSEL AND DISCLOSURE COUNSEL**

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Oakland, California

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
San Francisco, California

**REASSESSMENT DISTRICT ENGINEER**

Willdan Financial Services  
Temecula, California

**SENIOR TRUSTEE AND SUBORDINATE TRUSTEE**

The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California

No dealer, broker, salesperson or other person has been authorized by the Authority, the City, or the Underwriters to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. 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 representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the Authority, the City or the Underwriters. The information and expressions of opinion stated herein are subject to change without notice; and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or the property owners in the Reassessment District, or in the condition of the property in the Reassessment District, since the date hereof.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE FOR THE SENIOR BONDS” and “APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY FOR THE SENIOR BONDS.”

The Underwriters have provided the following statement for inclusion in this Official Statement: The Underwriters have 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 the transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES SET FORTH ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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

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**\$15,585,000**  
**PITTSBURG INFRASTRUCTURE**  
**FINANCING AUTHORITY**  
**2011 Reassessment Revenue Refunding Bonds**  
**Series A**

**\$2,255,000**  
**PITTSBURG INFRASTRUCTURE**  
**FINANCING AUTHORITY**  
**2011 Reassessment Revenue Refunding Bonds**  
**Subordinated Series B**

## INTRODUCTION

*The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Trust Agreements (defined below).*

### General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto (collectively, the “Official Statement”), is provided to furnish certain information in connection with the issuance and sale by the Pittsburg Infrastructure Financing Authority (the “Authority”) of \$15,585,000 principal amount of Pittsburg Infrastructure Financing Authority 2011 Reassessment Revenue Refunding Bonds, Series A (the “Senior Bonds”) and \$2,255,000 principal amount of Pittsburg Infrastructure Financing Authority 2011 Reassessment Revenue Refunding Bonds, Subordinated Series B (the “Subordinate Bonds” and, together with the Senior Bonds, the “Bonds”).

The Bonds will be issued by the Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of Chapter 5, Division 7, Title 1 of the California Government Code (the “Marks-Roos Law”) to: (i) finance the acquisition of \$17,511,947 principal amount of City of Pittsburg Limited Obligation Refunding Bonds, Reassessment District 2011-1 (the “Local Obligations”) to be issued by the City simultaneously with the issuance of the Bonds, (ii) fund a deposit into the Reserve Fund for the Senior Bonds, (iii) fund a deposit into the Reserve Fund for the Subordinate Bonds and (iv) pay certain costs of issuance associated with the issuance of the Bonds and the Local Obligations. The Bonds will be issued as fully registered Bonds in definitive form, in denominations of \$5,000 each or any integral multiple thereof and will be dated as of the delivery date and bear interest at the rates set forth on the inside cover page hereof. See “THE BONDS – General.”

*Senior Bonds.* The Senior Bonds are secured pursuant to the provisions of a Trust Agreement dated as of August 1, 2011 (the “Senior Trust Agreement”), among the Authority, the City of Pittsburg (the “City”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Senior Trustee”).

*Subordinate Bonds.* The Subordinate Bonds are secured pursuant to the provisions of a separate Trust Agreement dated as of August 1, 2011 (the “Subordinate Trust Agreement” and together with the Senior Trust Agreement, the “Trust Agreements”), among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Subordinate Trustee” and, together with the Senior Trustee, the “Trustee”).

### The Authority

The Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to a Joint Exercise of Powers Agreement dated December 5, 1994 by and between the City and the Redevelopment Agency of the City of Pittsburg, and is qualified to assist in financing projects and certain public improvements and to issue the Bonds under the Marks-Roos Law for the purpose of purchasing local obligations issued by various local agencies, including the Local Obligations issued by the City. See “THE AUTHORITY.”

## **The City**

The City of Pittsburg (the “City”) is located in the eastern portion of Contra Costa County (the “County”) at the confluence of the San Joaquin and Sacramento Rivers about 40 miles northeast of San Francisco. See “THE REASSESSMENT DISTRICT – The County of Contra Costa and City of Pittsburg.” For certain demographic, economic and financial information relating to the City, see APPENDIX A –“CERTAIN DEMOGRAPHIC AND ECONOMIC INFORMATION RELATING TO THE CITY OF PITTSBURG.”

## **The Reassessment District**

The Reassessment District is located in the City and was created pursuant to proceedings adopted by the City on August 1, 2011.

The Reassessment District consists of approximately 336.52 acres representing 1,946 parcels subject to Reassessments. The predominant land use within the Reassessment District is single-family housing. See “THE REASSESSMENT DISTRICT.”

## **The Local Obligations**

The Local Obligations are being issued pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, being Division 11.5 of the California Streets and Highways Code, as amended and supplemented (the “Act”) and a Local Obligation Resolution (the “Local Obligation Resolution”) adopted by the City Council of the City on August 1, 2011, wherein the Finance Director of the City is appointed as paying agent (the “Paying Agent”), for the purpose of (i) refunding the Authority’s 1998 Reassessment Revenue Bonds, Series A and Subordinated Series B (collectively, the “1998 Bonds”) outstanding for Reassessment District No. 1998-1 (the “1998 Reassessment District”) and three series of limited obligation improvement bonds of the City (collectively, with the 1998 Bonds, the “Prior Bonds”) outstanding for three assessment districts within the City: (1) San Marco Phase I Assessment District 2001-01 (“San Marco District”), (2) Oak Hills South Units 5, 6 and 7 Assessment District 2001-02 (“Oak Hills South Units 5, 6 and 7 District”) and (3) Marina Walk Assessment District No. 98-01 (“Marina Walk District”) (collectively, with the 1998 Reassessment District, the “Prior Districts”), the boundaries of which are identical to the Reassessment District, and (ii) paying certain costs associated with the issuance of the Local Obligations. See “PLAN OF REFUNDING.”

The Local Obligations are special, limited obligations of the City, payable solely from and secured by the unpaid reassessments levied within the Reassessment District by the City pursuant to the Act (sometimes herein, the “Reassessment”) and the amounts in the redemption fund created with respect to the Local Obligations (the “Local Obligation Redemption Fund”) under the Local Obligation Resolution and to be held by the Paying Agent. Neither the faith and credit nor the taxing power of the City, the State of California (the “State”) or any political subdivision thereof is pledged to the payment of the Local Obligations.

## **Security for the Bonds and the Local Obligations**

*General.* The Senior Bonds are secured by the Trust Estate described in the Senior Trust Agreement consisting primarily of a first lien on and security interest in all of the Revenues and any other amounts (including proceeds of the sale of the Senior Bonds) held in any fund or account established pursuant to the Senior Trust Agreement. “Revenues” consist primarily of all amounts derived from or with respect to the Local Obligations. The Subordinate Bonds are secured by the Trust Estate described in the Subordinate Trust Agreement consisting primarily of a subordinate lien on and security interest in all of the Revenues in the form of a pledge of Subordinated Revenues and any other amounts (including proceeds of the sale of the Subordinate Bonds) held in any fund or account established pursuant to the Subordinate Trust Agreement. “Subordinated Revenues” consist primarily of Revenues remaining after payment of the Senior Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” Revenues will be obtained by the Authority primarily from payments of the

principal of and interest on the Local Obligations. The Local Obligations are payable from the annual Reassessment installments collected on the regular property tax bills sent to owners of property within the Reassessment District having unpaid assessments levied against them. Payments on the Local Obligations are calculated to be sufficient to permit the Authority to pay the principal of and the interest on the Bonds when due. Certain events, however, could affect the ability of the Authority to make the payments of the principal of, premium, if any, and interest on the Bonds when due. See "BONDOWNERS' RISKS" herein for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM THE TRUST ESTATE DESCRIBED IN EACH TRUST AGREEMENT AND SECURED AS TO THE PAYMENT OF THE PRINCIPAL OF AND THE REDEMPTION PREMIUMS, IF ANY, AND THE INTEREST ON IN ACCORDANCE WITH THEIR TERMS AND THE TERMS OF SUCH TRUST AGREEMENT, SOLELY BY SUCH TRUST ESTATE. THE BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR ANY OF ITS MEMBERS, AND UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE OBLIGATED TO PAY PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON THE BONDS EXCEPT FROM THE RESPECTIVE TRUST ESTATE. NEITHER THE STATE NOR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) NOR ANY MEMBER OF THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON THE BONDS. THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON, THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY, THE STATE OR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY.

**As authorized by the Act, the City has determined not to obligate itself to advance available funds from the City treasury to cure any deficiency or delinquency which may occur in the Local Obligation Redemption Fund created and held by the City with respect to the Local Obligations by reason of the failure of a property owner to pay Reassessments.**

**OWNERSHIP OF THE SUBORDINATE BONDS IS SUBJECT TO A SIGNIFICANT DEGREE OF RISK. PAYMENTS WITH RESPECT TO THE SUBORDINATE BONDS ARE NOT INSURED BY AN INSURANCE POLICY. UNCOLLECTED ASSESSMENT INSTALLMENTS WILL FIRST CAUSE A REDUCTION IN THE AMOUNT OF SUBORDINATED REVENUES AVAILABLE FOR PAYMENT OF THE SUBORDINATE BONDS PRIOR TO CAUSING A REDUCTION IN THE AMOUNT OF REVENUES AVAILABLE FOR PAYMENT OF THE SENIOR BONDS. THE SUBORDINATE BONDS ARE NOT RATED BY ANY NATIONAL RATING AGENCY. ACCORDINGLY, THERE MAY BE A LIMITED TRADING MARKET FOR THE SUBORDINATE BONDS. POTENTIAL INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION ENTITLED "BONDOWNERS' RISKS."**

*Reserve Funds.* A separate Reserve Fund for each series of Bonds is established under the applicable Trust Agreement which is required to be maintained in the amount of the Reserve Requirement described under the applicable Trust Agreement.

*Bond Insurance for the Senior Bonds.* The scheduled payment of principal of and interest on the Senior Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Senior Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** (“AGM”). See “BOND INSURANCE FOR THE SENIOR BONDS” and APPENDIX F – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY FOR THE SENIOR BONDS.”

### **Additional Information**

Brief descriptions of the Bonds, the security for the Bonds, the Local Obligations, the Authority, the City and the Reassessment District are included in this Official Statement together with summaries of certain provisions of the Bonds and the Trust Agreements. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Trust Agreements are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of The Bank of New York Mellon Trust Company, N.A. in San Francisco, California.

## **PLAN OF REFUNDING**

A portion of the proceeds from the sale of the Bonds will be used by the Authority to acquire the Local Obligations. The Local Obligations are being issued by the City, together with certain funds held by the City in connection with the Prior Bonds, to refund and defease the Prior Bonds. The Prior Bonds consist of the following issues outstanding in the following principal amounts: (1) Pittsburg Infrastructure Financing Authority 1998 Reassessment Revenue Bonds, Series A and Subordinated Series B, currently outstanding in the aggregate principal amount of \$8,355,000, (2) City of Pittsburg Limited Obligation Improvement Bonds Marina Walk Assessment District No. 98-01, currently outstanding in the aggregate principal amount of \$1,400,000, (3) City of Pittsburg San Marco Phase I Assessment District No. 2001-01 Limited Obligation Improvement Bonds, Series 2001, currently outstanding in the aggregate principal amount of \$6,460,000 and (4) City of Pittsburg Oak Hills South Units 5, 6 and 7 Assessment District No. 2001-02 Limited Obligation Improvement Bonds, currently outstanding in the aggregate principal amount of \$2,365,000.

The City will apply the proceeds of the sale of the Local Obligations, together with certain funds held by the City in connection with the Prior Bonds, to establish four irrevocable escrow funds established and held by the Escrow Agent pursuant to four separate Escrow Agreements. The amounts held by the Escrow Agent will be sufficient to pay the principal of, interest on and redemption premium of, the Prior Bonds in full on September 2, 2011.

## **THE BONDS**

### **General**

The Bonds will be issued by the Authority pursuant to the Marks-Roos Law, a Resolution adopted by the Authority on August 1, 2011 and the Trust Agreements to (i) finance the acquisition of the Local Obligations to be issued by the City simultaneously with the issuance of the Bonds, (ii) fund a deposit into the Reserve Fund for the Senior Bonds, (iii) fund a deposit into the Reserve Fund for the Subordinate Bonds and (iv) pay certain costs of issuance associated with the issuance of the Bonds and the Local Obligations.

The Bonds will be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry only form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the Bonds. So long as the Bonds are registered in

the name of the nominee, payment of principal of, premium, if any, and interest on the Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. *So long as Cede & Co. is the registered owner of the Bonds, references herein to the holders or owners or registered holders or owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See APPENDIX E – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”*

The Bonds will be dated their date of delivery, and will bear interest at the rates per annum set forth on the cover page hereof. Principal of the Bonds is payable annually on September 2 of each year as set forth on the inside cover page hereof. Interest on the Bonds is payable semiannually on March 2 and September 2 of each year until maturity, commencing March 2, 2012 (each an “Interest Payment Date”), subject to the mandatory redemption provisions described herein. Principal of and redemption premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Payment of the interest on any Bond shall be made to the Person whose name appears on the Bond Register as the Owner thereof as of the close of business on the Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to the Owner at the address which appears on the Bond Register as of the Record Date, for that purpose; except that in the case of an Owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds, upon written request of such Owner to the Trustee, in form satisfactory to the Trustee, received not later than the Record Date, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States. The principal of and redemption premiums, if any, on the Bonds shall be payable at the Corporate Trust Office of the Trustee in San Francisco, California, upon presentation and surrender of such Bonds. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

**Senior Bonds Redemption Provisions**

*Extraordinary Redemption.* The Senior Bonds are subject to extraordinary redemption as a whole or in part on any Interest Payment Date, and shall be redeemed by the Senior Trustee, from moneys transferred from the Prepayment Account to the Redemption Fund pursuant to the Senior Trust Agreement, and derived as a result of prepayments of Local Obligations from prepayments by property owners of their special reassessment obligations plus, if applicable, amounts transferred from the Reserve Fund pursuant to the Senior Trust Agreement, at a redemption price equal to the following amounts for the redemption dates indicated (expressed as a percentage of the principal amount redeemed), plus accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Premium</u>
On or before September 2, 2016	3%
March 2, 2017 and September 2, 2017	2%
March 2, 2018 and September 2, 2018	1%
March 2, 2019 and thereafter	0%

*Optional Redemption.* The Senior Bonds maturing on or before September 2, 2021 shall not be subject to optional redemption. The Senior Bonds maturing on or after September 2, 2022 are subject to optional redemption as a whole on any date or in part on any Interest Payment Date on or after September 2, 2021, at the option of the Authority from any moneys deposited in the Redemption Fund from any source for such purpose by the Authority at a redemption price equal to the principal amount thereof, plus accrued interest.

*Mandatory Redemption.* The Senior Bonds maturing on September 2, 2031 are also subject to mandatory redemption in part by lot on September 2 in each year commencing September 2, 2027 at the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption in accordance with the following schedule:

### Senior Term Bonds Maturing September 2, 2031

Date (September 2)	<u>Amount</u>
2027	\$560,000
2028	590,000
2029	515,000
2030	540,000
2031†	575,000

† Maturity

### Subordinate Bonds Redemption Provisions

*Extraordinary Redemption.* The Subordinate Bonds are subject to extraordinary redemption as a whole or in part on any Interest Payment Date, and shall be redeemed by the Subordinate Trustee, from moneys transferred from the Prepayment Account to the Redemption Fund pursuant to the Subordinate Trust Agreement, and derived as a result of prepayments of Local Obligations from prepayments by property owners of their special reassessment obligations plus, if applicable, amounts transferred from the Reserve Fund pursuant to the Subordinate Trust Agreement, at a redemption price equal to the following amounts for the redemption dates indicated (expressed as a percentage of the principal amount redeemed), plus accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Premium</u>
On or before September 2, 2016	3%
March 2, 2017 and September 2, 2017	2%
March 2, 2018 and September 2, 2018	1%
March 2, 2019 and thereafter	0%

*Optional Redemption.* The Subordinate Bonds maturing on or before September 2, 2021 shall not be subject to optional redemption. The Subordinate Bonds maturing on or after September 2, 2022 are subject to optional redemption as a whole on any date or in part on any Interest Payment Date on or after September 2, 2021, at the option of the Authority from any moneys deposited in the Redemption Fund from any source for such purpose by the Authority at a redemption price equal to the principal amount thereof, plus accrued interest.

*Mandatory Redemption.* The Subordinate Bonds maturing on September 2, 2026 are also subject to mandatory redemption in part by lot on September 2 in each year commencing September 2, 2023 at the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption in accordance with the following schedule:

### Subordinate Term Bonds Maturing September 2, 2026

Date (September 2)	<u>Amount</u>
2023	\$105,000
2024	115,000
2025	75,000
2026†	75,000

† Maturity.

The Subordinate Bonds maturing on September 2, 2031 are also subject to mandatory redemption in part by lot on September 2 in each year commencing September 2, 2027 at the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption in accordance with the following schedule:

**Subordinate Term Bonds Maturing September 2, 2031**

Date (September 2)	<u>Amount</u>
2027	\$80,000
2028	85,000
2029	75,000
2030	80,000
2031†	85,000

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† Maturity.

**Redemption Procedures for the Bonds**

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

*Rescission of Redemption.* The Authority shall have the right to rescind any optional redemption by written notice to the Trustee, on or prior to the date fixed for redemption. Any such notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the respective Trust Agreement. The Authority and the Trustee shall have no liability to the Owners of such Bonds or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner and to the same recipients as the original notice of redemption was sent.

*Redemption Instructions.* In the event a portion, but not all, of the Outstanding Bonds are to be redeemed pursuant to extraordinary redemption, the Trustee shall select the amounts and maturities of Bonds for redemption in accordance with a Written Order of the Authority. Upon any prepayment of a Local Obligation or a determination to optionally redeem Bonds, the Authority shall deliver to the Trustee at least forty-five (45) days prior to the redemption date instructions meeting the requirements of the Trust Agreements, including a designation of the maturities and amounts of Bonds to be redeemed and a revised mandatory redemption schedule for Bonds subject to scheduled mandatory redemption which shall reduce each mandatory redemption

amount such that the resulting schedule shall be as nearly proportional as possible in each year to the original schedule.

*Selection of Bonds for Redemption.* Whenever less than all the Outstanding Bonds of any one maturity are to be redeemed on any one date, the Trustee shall select the particular Bonds to be redeemed by lot and in selecting the Bonds for redemption the Trustee shall treat each Bond of a denomination of more than \$5,000 as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000, and the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be redeemed in an Authorized Denomination. The Trustee shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption in whole or in part on such date.

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

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

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General**

The Senior Bonds are special, limited obligations of the Authority, payable solely from the Trust Estate described in the Senior Trust Agreement consisting primarily of a first lien on and pledge of the Revenues (as hereinafter defined) and any other amounts (including proceeds of the sale of the Senior Bonds) held in any fund or account established pursuant to the Senior Trust Agreement. Revenues (as defined below) consist primarily of payments made under the Local Obligations. A Reserve Fund for the Senior Bonds is established under the Senior Trust Agreement which is required to be maintained in the amount of the Reserve Requirement described under the Senior Trust Agreement. The scheduled payment of principal of and interest on the Senior Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Senior Bonds by AGM.

The Subordinate Bonds are special, limited obligations of the Authority, payable solely from the Trust Estate described in the Subordinate Trust Agreement consisting primarily and secured by a subordinate lien on and pledge of Revenues in the form of a pledge of Subordinated Revenues and any other amounts (including

proceeds of the sale of the Subordinate Bonds) held in any fund or account established pursuant to the Subordinate Trust Agreement. A Reserve Fund for the Subordinate Bonds is established under the Subordinate Trust Agreement which is required to be maintained in the amount of the Reserve Requirement described under the Subordinate Trust Agreement. Payments with respect to the Subordinate Bonds are not insured by an insurance policy. **Ownership of the Subordinate Bonds is subject to a significant degree of risk. The Subordinate Bonds are not rated by any national rating agency. Accordingly, there may be a limited trading market for the Subordinate Bonds. Potential investors are advised to read carefully the section “BONDOWNERS’ RISKS” – Absence of Market for the Subordinate Bonds.”**

Revenues will be obtained by the Authority primarily from payments of the principal of and interest on the Local Obligations. The Local Obligations are not general obligations of the City, but are special, limited obligation of the City, payable solely from and secured by an irrevocable pledge of certain revenues of the City, consisting primarily of monies received by the City as payment of Reassessments levied against property within the Reassessment District and the amounts in the Redemption Fund created with respect to the Local Obligations (the “Local Obligation Redemption Fund”) under the Local Obligation Resolution and to be held by the Paying Agent. Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the Local Obligations. **Notwithstanding any other provision of the Local Obligation Resolution, the City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in the Local Obligation Redemption Fund, provided, however, the City is not prevented, in its sole discretion, from so advancing funds.** Payments under the Local Obligations are calculated to be sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due. See “– Payment of the Local Obligations” below.

The Authority may not issue indebtedness payable from the Revenues other than the Bonds. However, neither the Authority nor the City has any control over the amount of additional debt payable from taxes or assessments on all or any portion of the property within the Reassessment District that may be issued in the future by other governmental entities or districts having jurisdiction over all or a portion of the land within the Reassessment District. See “BONDOWNERS’ RISKS – Parity Taxes and Special Assessments.” To the extent such debt is payable from other assessments or special taxes levied pursuant to the applicable law, such Reassessments or special taxes may have a lien on the property within the Reassessment District on a parity with the lien of the Reassessments.

## **Revenues and Subordinated Revenues**

The Senior Bonds are secured primarily by a lien on and pledge of Revenues and the Subordinated Bonds are secured primarily by a lien on and pledge of Subordinated Revenues, as described below.

Under the Trust Agreements, “Revenues” means Reassessment Revenues and all other amounts received by the Senior Trustee, as the payment of interest or premiums on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments of Reassessment Installments or as a result of Reassessment Prepayments or as a result of remedial proceedings taken in the event of a default thereon, and all investment earnings on any moneys held in the funds or accounts established under the Trust Agreements, except the Rebate Fund. “Reassessment Revenues” means all moneys collected and received by the City on account of the 2011-2012 installments billed on account of the respective assessments and reassessments securing the Refunded Bonds, and on account of unpaid reassessment obligations, including amounts, if any, collected via direct billing by the City, Reassessment Prepayments, and amounts received by the City as a result of superior court foreclosure proceedings brought to enforce payment of delinquent installments, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys fees and costs paid as a result of foreclosure actions. “Reassessment Prepayments” means that portion of Revenues which are paid to the City by or on behalf of the owner of a parcel subject to the reassessment obligation to accomplish a pay-off of the reassessment obligation pertaining to such parcel and the discharge of the reassessment lien respecting such

parcel (except the portion thereof, if any, which represents accrued interest on the Local Obligations). “Subordinated Revenues” are all Revenues transferred from the Revenue Fund to the Subordinated Revenue Fund and consist primarily of Revenues remaining after payment of the Senior Bonds.

Under the Senior Trust Agreement, all of the Revenues and the amounts in the Funds established by the Senior Trust Agreement (except amounts in the Rebate Fund) are pledged by the Authority to secure the payment of the principal of and interest on the Senior Bonds in accordance with their terms and the provisions of the Senior Trust Agreement. In the Senior Trust Agreement, the City expressly acknowledges that, pursuant to the Act and the Local Obligation Resolution, the City is legally obligated to establish and maintain a separate Local Obligation Redemption Fund and, so long as any part of the Local Obligations remains outstanding, to deposit into the Local Obligation Redemption Fund, upon receipt, any and all Reassessment Revenues received by the City. The City further acknowledges in the Senior Trust Agreement that, pursuant to the Act and the Local Obligation Resolution, no temporary loan or other use whatsoever may be made of the Reassessment Revenues, and the Local Obligation Redemption Fund constitutes a trust fund for the benefit of the owners of the Local Obligations. The City covenants for the benefit of the Authority, as owner of the Local Obligations, the Trustee, as assignee of the Authority with respect to the Local Obligations, and the Owners from time to time of the Senior Bonds, that it will establish, maintain and administer the Local Obligation Redemption Fund and the Reassessment Revenues in accordance with their statutes as trust funds as prescribed by the Act, the Local Obligation Resolution, and the Senior Trust Agreement. The City further covenants in the Senior Trust Agreement that, no later than ten Business Days prior to each Interest Payment Date and Principal Payment Date for the Bonds, the City will advance to the Trustee against payment on the Local Obligations, the interest due on the Local Obligations on such Interest Payment Date and the principal of all Local Obligations maturing on such Principal Payment Date, respectively, and upon receipt by the Trustee, such amounts shall constitute Revenues. All Revenues, other than Revenues derived from Reassessment Prepayments (which shall be deposited in the Prepayment Account and administered in accordance with the Trust Agreement), received by the Trustee shall be deposited by the Trustee into the Revenue Fund. Not later than one Business Day prior to each Interest Payment Date and Principal Payment Date for the Bonds, the Trustee shall transfer Revenues from the Revenue Fund, in the amounts specified in the Trust Agreement, for deposit into the Interest Fund, Principal Fund, Reserve Fund and Expense Fund in the order of priority set forth therein. Any amount remaining in the Revenue Fund after making such deposits shall be transferred to the Subordinate Trustee for deposit by the Subordinate Trustee in the Subordinated Revenue Fund and will be advanced by the Subordinate Trustee for payment of the Subordinate Bonds in a similar manner as described above with respect to the Senior Bonds.

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

The Revenues pledged to the repayment of the Bonds are primarily comprised of payments of interest and principal to be received by the Authority as owner of the Local Obligations. The Local Obligations and the interest thereon are payable from the Reassessments levied on property in the related Reassessment District. The Local Obligations are designed to pay principal, redemption premium and interest in the amounts and the times sufficient to provide for payment of principal, redemption premium, if any, and interest on the Bonds.

The Local Obligations are secured by unpaid Reassessments which have been levied against private property within the Reassessment District, together with interest thereon, in accordance with proceedings conducted by the City under the Act. Payments of principal and interest on such outstanding Reassessments together with interest and penalties, if any, on delinquent Reassessment payments will be deposited in the Local Obligation Redemption Fund held by the Fiscal Agent. The Local Obligation Redemption Fund constitutes a trust fund for the payment of the principal of and interest on the Local Obligations, which are payable solely out of the Local Obligation Redemption Fund. No reserve fund has been established for the Local Obligations.

The Reassessments are payable in annual installments over a period of years corresponding to the final term to maturity of the Local Obligations. The aggregate amount of Reassessment installments coming due in each year represents the aggregate principal amount of Local Obligations maturing or subject to mandatory

sinking fund redemption (if any) in such year, plus interest and administrative expenses of the City. Interest accrues on the outstanding principal balance of each Reassessment at a rate equal to the interest rate on the Local Obligations, and is payable together with the principal installments of the Reassessments. The amount of each Reassessment was fixed at the time of levy thereof, and failure by any landowner to pay any Reassessment will not result in an increase in the Reassessment against any other parcel of land.

**The Local Obligations are not secured by the general taxing power of the City, the County, the State or any political subdivision thereof, and neither the faith and credit nor the taxing power of the City, the County, the State or any political subdivision thereof is pledged to the payment of the Local Obligations or the Bonds.**

Under provisions of the Act, installments sufficient to meet annual payments of principal and interest on the Local Obligations are to be collected on the regular property tax bills sent by the County to owners of property against which there are unpaid Reassessments. These annual installments are to be paid into the Local Obligation Redemption Fund for such Local Obligations which will be held by the Finance Director of the City and used to pay the principal of and interest on the Local Obligations as they become due. The installment billed against each property each year represents a pro rata share of the total principal and interest coming due on all of the Local Obligations that year. The amount billed against each property is based on the percentage which the unpaid Reassessment against the property bears to the total of unpaid Reassessments in the Reassessment District, plus an administrative charge of the City. The failure of a property owner to pay an annual Reassessment installment will not result in an increase in Reassessment installments against other property in the Reassessment District.

In the event of delinquency in the payment of any installment of an unpaid Reassessment, the City has covenanted in certain circumstances to institute superior court foreclosure proceedings to enforce payment of a delinquent Reassessment installment (as stated in "Foreclosure Proceedings and Sales of Tax-Defaulted Property" below). **The City has determined not to obligate itself to advance any available funds from the City Treasury to cover any deficiency or delinquency which may occur in the Local Obligation Redemption Fund for the Local Obligations by failure of property owners to pay annual Reassessment installments.**

Although the unpaid balance of each Reassessment constitutes a lien on the assessed parcel, it does not constitute a personal indebtedness of the owner of such parcel. The City cannot assure that the owners of the assessed parcels will be financially able to pay the Reassessment installments when due, or that they will pay such Reassessment installments even if financially able to do so. See "BONDOWNERS' RISKS."

### **Priority of Lien**

The Reassessments levied in the Reassessment District and each installment thereof and any interest and penalties thereon constitute liens against the parcels of land on which they are levied until the same are paid. The liens imposed in the Reassessment District are subordinate to fixed special assessment liens previously imposed upon the same property, but have priority over existing and future private liens, including the lien of any mortgage or deed of trust, and over all fixed special assessment liens which may thereafter be created against the property. Such liens are co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended, regardless of when they are imposed on the property in the Reassessment District. The imposition of additional special taxes and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure.

The property located in the Oak Hills Water District, the Oak Hills South District, the Oak Hills South Units 5, 6 and 7 District the San Marco District are subject to a special tax which is levied in favor of the Mt. Diablo Unified School District Community Facilities District No. 1. As of the date of this Official Statement, there are no other special tax or assessment liens levied against any property within any of the Reassessment District.

## **Reserve Funds**

The Senior Trust Agreement establishes a Reserve Fund to be held by the Senior Trustee as security for payment of the Senior Bonds (the “Senior Bonds Reserve Fund”). The Subordinate Trust Agreement establishes a separate Reserve Fund to be held by the Subordinate Trustee as security for payment of the Subordinate Bonds (the “Subordinate Bonds Reserve Fund”). The Senior Bonds Reserve Fund and the Subordinate Bonds Reserve Fund will each be maintained in the amount of the Reserve Requirement described in the respective Trust Agreement, which amount for the Senior Bonds is an amount equal, as of the date of calculation, to the lesser of (i) Maximum Annual Debt Service on the Senior Bonds, (ii) 125% of average Annual Debt Service on the Senior Bonds, or (iii) 10% of the outstanding principal amount of on the Senior Bonds (which amount may be reduced in the event of partial redemption of the Senior Bonds) and for the Subordinate Bonds is an amount equal, as of the date of calculation, to the lesser of (i) Maximum Annual Debt Service on the Subordinate Bonds, (ii) 125% of average Annual Debt Service on the Subordinate Bonds, or (iii) 10% of the outstanding principal amount of on the Subordinate Bonds (which amount may be reduced in the event of partial redemption of the Subordinate Bonds).

Amounts in the Senior Bonds Reserve Fund will be held by the Senior Trustee for the benefit of the owners of the Senior Bonds as a reserve for the payment of the principal of, premium, if any, and interest on, the Senior Bonds and will be subject to a lien in favor of the owners of the Senior Bonds. Amounts in the Subordinate Bonds Reserve Fund will be held by the Subordinate Trustee for the benefit of the owners of the Subordinate Bonds as a reserve for the payment of the principal of, premium, if any, and interest on, the Subordinate Bonds and will be subject to a lien in favor of the owners of the Subordinate Bonds. Except as described hereinbelow, all amounts deposited in the respective Reserve Fund shall be used and withdrawn by the respective Trustee solely for the purpose of making transfers to the respective Interest Account (as established in the applicable Trust Agreement) and the respective Principal Account (as established in the applicable Trust Agreement), in such order of priority, on any date on which the principal of or interest on the applicable series of Bonds becomes due and payable, in the event of any deficiency at any time in such accounts of the amount then required for payment of the principal of and interest and any premium on, such series of Bonds or at any time for the redemption of the applicable series of Bonds.

Any amount in the Reserve Fund for the Senior Bonds in excess of the Reserve Requirement described under the Senior Trust Agreement which results from interest or other gain on the investment thereof will be transferred to the Revenue Fund on each March 2 and September 2 after the payment of all amounts required to be paid on such dates pursuant to the Senior Trust Agreement. Any amount in the Reserve Fund for the Subordinate Bonds in excess of the Reserve Requirement described under the Subordinate Trust Agreement which results from interest or other gain on the investment thereof will be transferred to the Senior Trustee for deposit in the Redemption Fund, such transfer to be made not less than semiannually.

## **Revenues Derived From Reassessment Prepayments**

In the Senior Trust Agreement, the Authority and the City acknowledge that the Act requires that amounts received by the City on account of Reassessment Prepayments shall be utilized, in accordance with the Act, for the sole purpose of prior redemption of Local Obligations, and not to pay current, scheduled debt service payments on the Local Obligations. Correspondingly, in order to maintain a proper matching between debt service payments on the Local Obligations and debt service payments on the Bonds, all Revenues received by the Trustee which constitute Reassessment Prepayments when received by the City shall be utilized by the Trustee for extraordinary redemption of Bonds pursuant to the Trust Agreements.

The Authority covenants in the Senior Trust Agreement for the benefit of the Owners that, as to each separate date upon which Bonds are to be redeemed from the proceeds of Reassessment Prepayments, the Authority shall as nearly as possible apply such Reassessment Prepayments to the redemption of Senior Bonds

and Subordinate Bonds in the proportion of their respective outstanding percentage (i.e., the numerator of which is the aggregate amount, as the case may be, of Senior Bonds or Subordinate Bonds Outstanding and the denominator of which is the aggregate amount of Bonds Outstanding), respectively, and within the Senior Bonds and the Subordinate Bonds, respectively, the Bonds to be redeemed shall be selected in such a way that the ratio of outstanding Bonds to originally-issued bonds shall be approximately the same in each annual maturity as nearly as possible, with the Bonds to be selected within any annual maturity by lot. For purposes of the foregoing sentence, the scheduled principal amount to be redeemed on a given Principal Payment Date with respect to any Term Bond shall be deemed to constitute an “annual maturity.”

All Revenues derived from Reassessment Prepayments received by the Senior Trustee shall be immediately deposited in the Prepayment Account within the Revenue Fund under the Senior Trust Agreement, which account the Senior Trustee agrees to establish and maintain. An amount equal to the amount of Subordinate Bonds to be redeemed from such Reassessment Prepayments (including any redemption premium thereon) shall be immediately be transferred to the Subordinate Trustee for deposit in the Subordinate Redemption Fund under the Subordinate Trust Agreement. All amounts on deposit in the respective Prepayment Account shall be transferred to the Redemption Fund to be used to redeem Senior Bonds pursuant to the Senior Trust Agreement.

No reserve account or fund will be established or maintained for the Local Obligations.

### **Limited Obligations**

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM THE TRUST ESTATE DESCRIBED IN EACH TRUST AGREEMENT AND SECURED AS TO THE PAYMENT OF THE PRINCIPAL OF AND THE REDEMPTION PREMIUMS, IF ANY, AND THE INTEREST ON IN ACCORDANCE WITH THEIR TERMS AND THE TERMS OF SUCH TRUST AGREEMENT, SOLELY BY SUCH TRUST ESTATE. THE BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR ANY OF ITS MEMBERS, AND UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE OBLIGATED TO PAY PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON THE BONDS EXCEPT FROM THE RESPECTIVE TRUST ESTATE. NEITHER THE STATE NOR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) NOR ANY MEMBER OF THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON THE BONDS. THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, OR INTEREST ON, THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY, THE STATE OR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY.

### **Foreclosure Proceedings and Sales of Tax-Defaulted Property**

The provisions of the Act provide that upon default in the payment of any Reassessment installment, the property securing such Reassessment shall be sold in the same manner in which real property is sold for the nonpayment of general County taxes, and shall be subject to redemption in the same manner and to the same extent that real property sold for nonpayment of general County taxes may be redeemed. The Act also provides that as a cumulative remedy, upon default in the payment of any Reassessment installment, an action may be brought to foreclose the lien of the Reassessment in accordance with the Act.

Such foreclosure sale procedure is not mandatory. However, in the Local Obligation Resolution, the City has covenanted with and for the owners of the Local Obligations and the owners of the Bonds that (1) not later

than the first day of October following the end of each fiscal year, the City will prepare or cause to be prepared a summary of all delinquencies and (2) not later than the first day of February following the end of each fiscal year, the City will order and cause to be commenced and thereafter diligently prosecuted to completion, a judicial foreclosure action regarding delinquent installments of the Reassessments whenever the foregoing summary of delinquencies demonstrates satisfaction of either of the following conditions: (i) whenever the aggregate amount of all delinquent installments, including those for the just completed fiscal year and all prior fiscal years, exceeds five percent of the amount of the installments posted to the tax roll for the just completed fiscal year, then the City will initiate and prosecute foreclosure on all delinquencies irrespective of the amount of any individual delinquency and (ii) whenever the aggregate amount of all delinquent installments, including those for the just completed fiscal year and all prior fiscal years, on all parcels owned by the same owner exceed \$5,000, then the City will initiate and prosecute foreclosure on all delinquencies on all parcels owned by that owner; provided that notwithstanding the foregoing, the City shall not be obligated to initiate the foreclosure or foreclosures otherwise required by the Local Obligation Resolution if the balance on deposit in the Reserve Funds for both the Senior Bonds and Subordinate Bonds are equal to the respective Reserve Requirements. The City further covenants with the owners of the Local Obligations and the owners of the Bonds that it will monitor the records of the Auditor-Controller of Contra Costa County for the purpose of ascertaining the occurrence of any delinquency.

*Judicial Foreclosure Proceedings.* The Act provides that the court in a foreclosure proceeding has the power to order property securing delinquent Reassessment installments to be sold for an amount not less than all Reassessment installments, interest, penalties, costs, fees and other charges that are delinquent at the time the foreclosure action is ordered and certain other fees and amounts as provided in the Act. The court may also include subsequent delinquent Reassessment installments and all other delinquent amounts. No assurance can be given that in the event of a foreclosure proceeding a parcel could be sold for the amount of the delinquency or that any bid would be received for such property. See “BONDOWNERS’ RISKS – Land Values.” The ability of the City to foreclose the lien of a delinquent unpaid Reassessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by California law relating to the judicial foreclosure. See “BONDOWNERS’ RISKS – Bankruptcy and Foreclosure.”

*Sales of Tax-Defaulted Property Generally.* Property securing delinquent Reassessment installments which is not sold pursuant to the judicial foreclosure proceedings described above may be sold, subject to redemption by the property owner, in the same manner and to the same extent as real property sold for nonpayment of general County property taxes. On or before June 30 of the year in which such delinquency occurs, the property becomes tax-defaulted. This initiates a five-year period during which the property owner may redeem the property. At the end of the five-year period the property becomes subject to sale by the County Treasurer and Tax Collector. Except in certain circumstances, as provided in the Act, the purchaser at any such sale takes such property subject to all unpaid Reassessments, interest and penalties, costs, fees and other charges which are not satisfied by application of the sales proceeds and subject to all prior assessments which may have priority.

## **The Teeter Plan**

In 1949, the California Legislature enacted an alternative method for the distribution of secured ad valorem property taxes to local agencies. The County and its subsidiary political subdivisions operate under the provisions of Sections 4701 through 4717, inclusive, of the Revenue and Taxation Code of the State of California (the “Law”), commonly referred to as the “Teeter Plan,” with respect to property tax collection and disbursement procedures. The County was the first Teeter Plan county in the State. In October, 1959, this method of apportioning taxes was extended to all assessments then being collected on the County secured roll.

Generally, the Teeter Plan provides an alternative method of apportioning secured taxes by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections, and as a result, such taxing agencies may receive 100 percent of their taxes at the time they are levied. The County deposits in the Tax Losses Reserve Fund all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all

participating taxing agencies is avoided. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk. This method of apportioning taxes extends to all assessments (including Reassessments) collected on the County tax roll. Although a local agency currently receives the total levy for its special assessments without regard to actual collections, the basic legal liability for assessment deficiencies at all times remains with the sponsoring agency and, therefore, the alternative method of tax apportionment only assists the agency in the current financing of the maturing debt service requirements.

Once adopted, a county's Teeter Plan will remain in effect unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating agencies in the county. An electing county may, by action taken not later than July 15 of a fiscal year, opt to discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the county if the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See "BONDOWNERS' RISKS – Termination of Teeter Plan." As of July 25, 2011, the County has never discontinued the Teeter Plan with respect to any tax levying agency or assessment levying agency.

The Reassessment installments for the Local Obligation Resolution will be collected pursuant to the procedures described above. Thus, so long as the City meets the Teeter Plan requirements and the County maintains its policy of collecting Reassessments pursuant to such procedures, the City will receive the full amount of the annual assessment installments levied without regard to actual collections in the Reassessment District. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning assessments pursuant to the aforementioned procedures.

### **Tax Losses Reserve Fund**

Pursuant to the Law, the County is required to establish the Tax Losses Reserve Fund to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). During each fiscal year, the Tax Losses Reserve Fund is reviewed and when the amount of the fund exceeds certain levels, the excess may be credited to the County General Fund as provided by Sections 4703 and 4703.2 of the California Revenue and Taxation Code. State law allows any county to draw down their tax losses reserve fund to a balance equal to (i) one percent of the total of all taxes and assessments levied on the secured roll for that year, or (ii) 25% of the current year delinquent secured tax levy.

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The following table sets forth certain information regarding County delinquencies and the Tax Losses Reserve Fund for Fiscal Years 2000-01 through 2009-10. As of June 30, 2010, the balance in the Tax Losses Reserve Fund was \$84,269,785. An amount equal to \$9 million of such reserve was transferred to the County's General Fund in Fiscal Year 2009-10.

Fiscal Year Ended June 30	Total Current Year Tax Levy	Amount of the Current Year Levy Delinquent at Year End	Percentage of Current Year Levy Delinquent at Year End	Total Delinquent Property Taxes at June 30	Tax Losses Reserve Balance at June 30	Reserve Balance as a Percent of the Total Delinquency
2000-01	\$1,062,831,354	\$16,728,410	1.57%	\$31,050,012	\$24,247,987	78%
2001-02	1,187,173,140	20,551,776	1.73	33,941,546	27,032,058	80
2002-03	1,293,561,117	25,574,249	1.98	38,614,691	30,347,321	79
2003-04	1,402,895,299	27,325,421	1.95	40,071,424	20,167,593	50
2004-05	1,584,132,373	26,598,823	1.68	37,821,908	23,134,013	61
2005-06	1,720,977,608	35,699,270	2.07	47,003,688	26,334,817	56
2006-07	1,967,771,060	80,851,968	4.11	97,323,762	33,558,844	34
2007-08	2,077,282,718	106,031,582	5.10	143,490,997	45,174,112	31
2008-09	2,061,930,220	86,035,461	4.17	129,971,278	66,209,174	51
2009-10	1,964,723,577	55,418,474	2.82	101,461,335	84,269,785	83

Source: Contra Costa County – Auditor-Controller's Office

### No Additional Indebtedness

Notwithstanding any other provision of the Trust Agreements, the Authority shall not issue or cause to be issued any additional bond, note or other indebtedness payable from the Trust Estate and secured by a lien and charge upon the Trust Estate either senior to, or equal to and on a parity with, the lien and charge securing the Outstanding Bonds issued under the Trust Agreements. Notwithstanding any other provision of the Trust Agreements, the Local Obligation Resolution or the Act, the City shall not issue or cause to be issued any additional bond, note, local obligation or evidence of indebtedness secured by the reassessments securing the Local Obligations.

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## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the financing are set forth in the following table:

	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>
<b>Sources of Funds</b>			
Par Amount of Bonds	\$15,585,000	\$2,255,000	\$17,840,000
Transfers from Prior Reserve Funds	1,673,291	242,109	1,915,400
Transfers from Prior Debt Service Funds	1,164,296	168,462	1,332,759
Transfer from Surplus Funds	251,652	36,412	288,064
<i>Plus/Less: Net Original Issue Premium/Discount</i>	<u>65,177</u>	<u>(34,826)</u>	<u>30,351</u>
TOTAL SOURCES	\$18,739,416	\$2,667,157	\$21,406,574
<b>Uses of Funds</b>			
Deposit to Escrow Funds <sup>(1)</sup>	\$16,831,726	\$2,404,532	\$19,236,259
Deposit to Reserve Fund <sup>(2)</sup>	1,381,736	206,884	1,588,620
Deposit to Expense Fund <sup>(3)</sup>	<u>525,954</u>	<u>55,741</u>	<u>581,695</u>
TOTAL USES	\$18,739,416	\$2,667,157	\$21,406,574

<sup>(1)</sup> Deemed to be used to acquire the Local Obligations, the proceeds of which, together with certain funds held by the City in connection with the Prior Bonds, will be used to refund the Prior Bonds in full on September 2, 2011.

<sup>(2)</sup> Represents the applicable Reserve Requirement.

<sup>(3)</sup> For payment of costs of issuance, including Underwriters' Discount, the fees of Bond Counsel, Disclosure Counsel, Reassessment Engineer and the Financial Advisor; the initial fees of the Trustee, the Bond Insurance Policy premium for the Senior Bonds, printing costs and other miscellaneous expenses.

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## DEBT SERVICE SCHEDULE

The debt service schedule for the Bonds is set forth below:

### Debt Service Schedule

Year Ending <u>Sept. 2</u>	Series A Bonds <u>Principal</u>	Series A Bonds <u>Interest</u>	Series A Bonds <u>Total</u>	Series B Bonds <u>Principal</u>	Series B Bonds <u>Interest</u>	<u>Total</u>
2012	\$830,000	\$631,558.58	\$1,461,558.58	\$120,000	\$100,217.77	\$1,681,776.35
2013	855,000	602,912.50	1,457,912.50	125,000	95,906.26	1,678,818.76
2014	890,000	585,812.50	1,475,812.50	130,000	92,156.26	1,697,968.76
2015	920,000	559,112.50	1,479,112.50	135,000	88,256.26	1,702,368.76
2016	945,000	531,512.50	1,476,512.50	135,000	84,206.26	1,695,718.76
2017	960,000	503,162.50	1,463,162.50	140,000	79,650.00	1,682,812.50
2018	1,015,000	474,362.50	1,489,362.50	150,000	74,400.00	1,713,762.50
2019	1,055,000	423,612.50	1,478,612.50	150,000	68,400.00	1,697,012.50
2020	1,110,000	370,862.50	1,480,862.50	160,000	61,837.50	1,702,700.00
2021	805,000	322,987.50	1,127,987.50	115,000	54,637.50	1,297,625.00
2022	835,000	290,787.50	1,125,787.50	120,000	49,175.00	1,294,962.50
2023	755,000	256,343.76	1,011,343.76	105,000	43,175.00	1,159,518.76
2024	790,000	223,312.50	1,013,312.50	115,000	37,531.26	1,165,843.76
2025	510,000	187,762.50	697,762.50	75,000	31,350.00	804,112.50
2026	530,000	164,175.00	694,175.00	75,000	27,318.76	796,493.76
2027	560,000	139,000.00	699,000.00	80,000	23,287.50	802,287.50
2028	590,000	111,000.00	701,000.00	85,000	18,687.50	804,687.50
2029	515,000	81,500.00	596,500.00	75,000	13,800.00	685,300.00
2030	540,000	55,750.00	595,750.00	80,000	9,487.50	685,237.50
2031	575,000	28,750.00	603,750.00	85,000	4,887.50	693,637.50
<b>TOTAL</b>	<b>\$15,585,000</b>	<b>\$6,544,277.34</b>	<b>\$22,129,277.34</b>	<b>\$2,255,000</b>	<b>\$1,058,367.83</b>	<b>\$25,442,645.17</b>

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## ESTIMATED DEBT SERVICE COVERAGE

The following table sets forth the estimated debt service coverage on the Senior Bonds and the combined debt service on the Bonds based upon the estimated Revenues derived from the Reassessments. In the event of delinquencies in Reassessment payments received by the City on behalf of any Reassessment District, the estimated debt service coverage ratios may not be achieved.

### Estimated Debt Service Coverage on the Senior Bonds and the Bonds

Maturity (September 2)	Revenues <sup>(1)</sup>	Series A Bonds		Series A Bonds and Series B Bonds Combined	
		Debt Service	Estimated Coverage	Debt Service	Estimated Coverage
2012	\$1,769,457	\$1,461,559	1.21	\$1,681,776	1.05
2013	1,769,381	1,457,913	1.21	1,678,819	1.05
2014	1,784,755	1,475,813	1.21	1,697,969	1.05
2015	1,797,583	1,479,113	1.22	1,702,369	1.06
2016	1,786,897	1,476,513	1.21	1,695,719	1.05
2017	1,780,755	1,463,163	1.22	1,682,813	1.06
2018	1,818,793	1,489,363	1.22	1,713,763	1.06
2019	1,815,419	1,478,613	1.23	1,697,013	1.07
2020	1,826,642	1,480,863	1.23	1,702,700	1.07
2021	1,397,069	1,127,988	1.24	1,297,625	1.08
2022	1,402,342	1,125,788	1.25	1,294,963	1.08
2023	1,258,532	1,011,344	1.24	1,159,519	1.09
2024	1,265,529	1,013,313	1.25	1,165,844	1.09
2025	862,970	697,763	1.24	804,113	1.07
2026	864,311	694,175	1.25	796,494	1.09
2027	868,616	699,000	1.24	802,288	1.08
2028	875,581	701,000	1.25	804,688	1.09
2029	749,984	596,500	1.26	685,300	1.09
2030	753,838	595,750	1.27	685,238	1.10
2031	765,412	603,750	1.27	693,638	1.10
<b>TOTAL</b>	<b>\$27,213,868</b>	<b>\$22,129,277</b>		<b>\$25,442,645</b>	

(1) Represents the total remaining assessments of \$17,511,947, plus interest thereon of \$9,701,921.  
Source: Piper Jaffray & Co.

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## BOND INSURANCE FOR THE SENIOR BONDS

*The following information has been furnished by AGM for use in this Official Statement. None of the Authority, the City or the Underwriters make any representations as to the accuracy or completeness of this information (including information incorporated by reference) or as to the absence of material adverse changes in this information subsequent to the date hereof.*

### **Bond Insurance Policy**

Concurrently with the issuance of the Senior Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Senior Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Senior Bonds when due as set forth in the form of the Policy included as APPENDIX F to this Official Statement.

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (“Holdings”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM’s financial strength is rated “AA+” (negative outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On August 8, 2011, S&P published a Research Update in which it affirmed the “AA+” financial strength rating of AGM. At the same time, S&P revised the rating outlook on AGM to negative from stable. Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P’s comments.

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the “Bond Insurance RFC”) in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P’s comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at [www.moodys.com](http://www.moodys.com), for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, which was filed by AGL with the SEC on August 9, 2011.

#### *Capitalization of AGM*

At June 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,050,613,849 and its total net unearned premium reserve was approximately \$2,254,726,646, in each case, in accordance with statutory accounting principles.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (which was filed by AGL with the SEC on August 9, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Senior Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE FOR THE SENIOR BONDS – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Senior Bonds or the advisability of investing in the Senior Bonds. In addition, AGM has not independently verified, makes no representation regarding, and

does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE FOR THE SENIOR BONDS.”

## **THE AUTHORITY**

The Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to a Joint Exercise of Powers Agreement dated December 5, 1994 by and between the City and the Redevelopment Agency of the City of Pittsburg, and is qualified to assist in financing projects and certain public improvements and to issue the Bonds under the Marks-Roos Law. The Authority has no taxing power. The Authority and the City are each separate and distinct legal entities, and the debts and obligations of one such entity are not debts or obligations of the other entity.

## **THE REASSESSMENT DISTRICT**

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

Contra Costa County (the “County”) was incorporated in 1850 as one of the original 27 counties of the State of California with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County covers about 733 square miles and extends from the northeastern shore of the of San Francisco Bay easterly about 20 miles to San Joaquin County. The County is bordered on the south and west by Alameda County and on the north by Suisun and San Pablo Bays. The western and northern shorelines are highly industrialized while the interior sections are suburban/residential, commercial and light industrial. A large part of the interior of the County is served by the Bay Area Rapid Transit District (“BART”) which has contributed to the expansion of residential and commercial development. In addition, economic development along the Interstate 680 corridor in the County has been substantial in the cities of Concord, Walnut Creek, and San Ramon. The County has a population of approximately 1,056,064 as of January 1, 2011 according to the State Department of Finance.

The City is located in the eastern portion of the County at the confluence of the San Joaquin and Sacramento Rivers about 40 miles northeast of San Francisco. Originally a coal shipping port, the City was founded in 1849, and incorporated in 1903 as a general law city. In the 1940’s and early 1950’s, the City was a major commercial and industrial center for the County and the eastern ports of the greater San Francisco Bay Area. During World War II and the Korean War it was a major military embarkation point. Today the City is part of the second largest industrial center in the County and has a population of approximately 63,730 as of January 1, 2011, according to the State Department of Finance. See APPENDIX A – “CERTAIN DEMOGRAPHIC AND ECONOMIC INFORMATION RELATING TO THE CITY OF PITTSBURG.”

### **Description and Location**

The Reassessment District consists of the following seven prior assessment districts which were formed in accordance the Municipal Improvement Act of 1913, being Division 12 of the Streets and Highways Code of the State of California (the “1913 Act”):

1. Village at New York Landing Assessment District No. 1992-1 (the “New York Landing District”);
2. Brickyard Assessment District No. 95-1 (the “Brickyard District”);
3. Oak Hills Water Facilities Assessment District 1990-01 (the “Oak Hills Water District”);

4. Oak Hills South Assessment District No. 94-1 (the “Oak Hills South District”);
5. San Marco Phase I Assessment District 2001-01 (“San Marco District”);
6. Oak Hills South Units 5, 6 and 7 Assessment District 2001-02 (“Oak Hills South Units 5, 6 and 7 District”); and
7. Marina Walk Assessment District No. 98-01 (“Marina Walk District”) (collectively, the “Prior Districts”).

The Reassessment District was created for refunding the Prior Bonds issued with respect to the Prior Districts and is comprised of the area within the Prior Districts, each which is described below. See page 26 for the map of the Reassessment District.

The City has retained the firm of Willdan Financial Services (the “Reassessment Engineer”) to prepare a written report (the “Reassessment Report”) which contain, among other things, the amount of Reassessment levied on each parcel within the Reassessment District.

### Status of Development

The parcels in the Reassessment District are zoned for residential housing other than one commercial parcel owned by BART and one industrial parcel owned by the City. Of the 1,946 assessed parcels in the Reassessment District, 98.4% are developed. All of the developed parcels are developed with single family residential housing. The following table shows the number of developed and undeveloped parcels, and total number of parcels and acreage, in each of the Prior Districts.

**Table 1**  
**City of Pittsburg**  
**Reassessment District No. 2011-01**  
**Remaining Assessment - Developed Parcels and Undeveloped Parcels**

<u>Assessment District</u>	Number of Developed <u>Parcels<sup>(1)</sup></u>	Number of Undeveloped <u>Parcels</u>	Number of Total <u>Parcels<sup>(2)</sup></u>	Total <u>Acreage<sup>(3)</sup></u>
Marina Walk District	120	0	120	17.37
San Marco District	470	29	499	79.72
Oak Hills South Units 5, 6 and 7 District	230	0	230	43.83
Brickyard District	193	0	193	29.90
New York Landing District	140	0	140	18.59
Oak Hills South District	488	0	488	79.62
Oak Hills Water District	762	2	764	147.11
<b>Total</b>	<b>2,403</b>	<b>31</b>	<b>2,434</b>	

(1) 7 Parcels classified as Developed Property were confirmed by the developer (Seeno Construction Co) as developed but such development status is not yet reflected on the County Secured Roll.

(2) Total Parcels do not add to 1,946 as all 488 parcels within Oak Hills South District are contained within Oak Hills Water District.

(3) Total acreage for all unique assessable parcels equals 336.52 acres.

Source: Willdan Financial Services.

### **New York Landing District**

The New York Landing District consists of 18.59 acres and is located immediately adjacent to the commercial Downtown area of the City. Each of the 140 parcels within the New York Landing District is developed with single family homes. All of the single family homes within the New York Landing District have been sold to individual homeowners.

### **Brickyard District**

The Brickyard District consists of 29.90 acres located on the south side of North Parkside Drive and on the north side of Polaris Avenue in the northern portion of the central area of the City. The neighborhood consists primarily of residential development with industrial uses to the north and is bounded by North Parkside to the north, Bailey Road to the west, Highway 4 to the south and Railroad Avenue to the east. In general the development surrounding the Brickyard District along the eastern, western and southern boundaries is residential. Commercial uses are also located within close proximity of the Brickyard District along Bailey Road. Existing adjacent residential developments include both multi-family and single-family projects. Freeway access is located approximately one mile to the southeast.

Each of the 193 parcels within the Brickyard District is developed with single family homes which comprise a portion of a development to be known as the Brickyard (the “Brickyard Development”).

### **Oak Hills South District and Oak Hills Water District**

The Oak Hills South District and the Oak Hills Water District are located within the southwestern portion of the City and comprise a portion of a residential community commonly known as “Oak Hills South.” The Oak Hills South District overlays the southern portion of the Oak Hills Water District. The Oak Hills South District consists of 79.62 acres, and the Oak Hills Water District consists of 147.11 acres (of which 79.62 acres overlap with the Oak Hills South District).

Each of the 488 parcels within the Oak Hills South District is developed for single family homes. Of the 764 parcels within the Oak Hills Water District (of which 488 parcels overlap with the Oak Hills South District), 762 parcels are developed for single family homes, one parcel owned by BART is undeveloped for commercial land and one parcel is undeveloped for residential properties. The commercial parcel owned by BART is part of the BART development near the Pittsburg/Bay Point BART station which the City expects will go forward. BART is currently not delinquent on the payment of the Reassessments on this parcel. See “BONDOWNERS’ RISKS – Land Values,” “– Exempt Properties” and “– Bankruptcy and Foreclosure.”

### **Oak Hills South Units 5, 6 and 7 District**

The land in the Oak Hills South Units 5, 6 and 7 District consists of 43.83 acres and is located in the western portion of the City, near the intersection of State Highway 4 and Bailey Road, where the Pittsburg/Bay Point BART station is located, and comprises a portion of a residential community commonly known as “Oak Hills South.” Each of the 230 parcels is developed with single family detached homes.

### **San Marco District**

The San Marco District consists of approximately 79.72 acres and is located to the west of the Oak Hills project and the Oak Hills South project. State Highway 4 bounds the San Marco District on the north and immediately adjacent to the west the U.S. Naval Weapons Station at Concord. On the north, the property is separated from the unincorporated community of Bay Point by State Highway 4. South of the San Marco District is a range of hills which are planned for future residential development. To the east of the San Marco District is the Oak Hills residential development.

Property in the San Marco District consists of 499 parcels, of which 470 parcels are developed with single family homes and 29 parcels is undeveloped for residential properties. One of the developed parcels in the San Marco District is owned by the City and used for water department equipment such as pumps needed to support water operations in the area. The City is currently not delinquent on the payment of the Reassessments on this parcel. See “BONDOWNERS’ RISKS – Land Values,” “– Exempt Properties” and “– Bankruptcy and Foreclosure.”

### **Marina Walk District**

The Marina Walk District is comprised of 17.37 acres encompassing 12 city blocks bounded by Marina Boulevard to the north, West Eighth Street to the south, Black Diamond to the east and Herb White Way (Montezuma Street) to the west. Property in the Marina Walk District is located within a City redevelopment planning area, referred to as the New York Landing District, and includes a 1.6 acre public park. Each of the 120 parcels is developed with single family houses.

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## Remaining Assessments within the Reassessment District

The table below shows the ownership of property within the Reassessment District with respect to total remaining assessments.

**Table 2**  
**City of Pittsburgh**  
**Reassessment District No. 2011-01**  
**Remaining Prior Assessments**

<u>Name</u>	<u>Number of Parcels</u>	<u>Remaining Assessment</u>	<u>Percent of Total Remaining Assessment</u>
Seecon Financial & Constr Co	29	\$ 365,395.66	2.09%
West Coast Home Builders Inc	5	243,272.49	1.39%
San Francisco Bart District	1	69,516.40	0.40%
Bacalzo Librada G Tre	3	37,799.55	0.22%
Essoe Gabe & Kelley	3	35,201.44	0.20%
Haase Robby	3	29,320.59	0.17%
Nguyen Ut	2	25,199.70	0.14%
Kumar Siu & Shindo	2	25,199.70	0.14%
Bank Of America Natl Assn	2	22,601.59	0.13%
Us Bank National Assn Tre	2	22,601.59	0.13%
Pajarin Allen & Amihan	2	22,601.59	0.13%
Essoe Gabe & Kelley Tre	3	22,465.94	0.13%
Hsbc Bank Usa Natl Assn Tre	2	21,643.65	0.12%
Ng Jackvin	2	19,354.67	0.11%
Balley Mahesh K & Jacqueline K	2	19,165.67	0.11%
Santos Anthony B & Clarice P	2	19,165.67	0.11%
Nguyen Chau Thanh	2	19,165.67	0.11%
Singh Davinder	2	18,831.95	0.11%
Hoang Long	2	16,925.76	0.10%
Bac Home Loans Servicing Lp	2	16,233.84	0.09%
Ruelas Marilou I	2	13,616.28	0.08%
Wells Fargo Bank Na	2	13,156.13	0.08%
Lee David Y	2	13,040.24	0.07%
Zafari Fahim	2	12,986.92	0.07%
Zalmaiyyar Mohammad N & Palshak	2	12,797.92	0.07%
<b>Subtotal</b>	<b>83</b>	<b>\$1,137,260.62</b>	<b>6.49%</b>
All Other Property Owners	1,863	\$16,374,688.24	93.51%
<b>Total</b>	<b>1,946</b>	<b>\$17,511,948.86</b>	<b>100.00%</b>

Source: Willdan Financial Services.

The table below shows the total remaining assessments within the Reassessment District with respect to developed and undeveloped parcels.

**Table 3**  
**City of Pittsburgh**  
**Reassessment District No. 2011-01**  
**Remaining Assessment - Developed Parcels and Undeveloped Parcels**

<u>Remaining Assessment</u>	Number of Developed <u>Parcels</u>	Number of Undeveloped <u>Parcels</u>	<u>Number of Total Parcels</u> <sup>(1)</sup>	Total Remaining <u>Assessment</u>
< \$2,000	331 <sup>(2)</sup>	0	331	\$615,567.62
\$2,000 - \$4,000	183 <sup>(3)</sup>	0	183	431,452.12
\$4,000 - \$6,000	567	0	567	2,582,670.78
\$6,000 - \$8,000	385	0	385	2,619,416.54
\$8,000 - \$12,000	467	0	467	4,713,126.91
\$12,000 - \$14,000	470 <sup>(4)</sup>	29	499	6,287,325.40
> \$70,000	0	2	2	262,389.49
<b>Total</b>	<b>2,403</b>	<b>31</b>	<b>2,434</b>	<b>\$17,511,948.86</b>

(1) Total Parcels do not add to 1,946 as all 488 parcels within Oak Hills South District are contained within Oak Hills Water District.

(2) Each of the 331 developed parcels are within Oak Hills South District and have a remaining assessment relating to Oak Hills Water District (final maturity date of Oak Hills South District and Oak Hills Water District occur in different years).

(3) 157 of the 183 developed parcels are within Oak Hills South District and have a remaining assessment relating to Oak Hills Water District (final maturity date of Oak Hills South District and Oak Hills Water District occur in different years).

(4) 7 Parcels classified as Developed Property were confirmed by the developer (Seeno Construction Co) as developed but such development status is not yet reflected on the County Secured Roll.

Source: Willdan Financial Services.

#### **Assessed Value and Value to Lien Ratios within the Reassessment District**

According to the County's 2010-11 property ownership records, there were 1,946 parcels in the Reassessment District, of which 1,914 parcels are developed for single family homes. The current aggregate assessed value of all land and improvements in the Reassessment District is \$578,982,976. Total Reassessments equal \$17,511,948.86, which results in an overall value-to-lien ratio of 33.06:1.

Set forth in the table below are assessed value and value-to-lien ratios for the parcels in the Reassessment District.

**Table 4**  
**City of Pittsburg**  
**Reassessment District No. 2011-01**  
**Assessed Values and Value-to-Lien Ratios**

<u>Property Type</u>	<u>Number of Parcels<sup>(1)</sup></u>	<u>Total Assessed Value</u>	<u>Remaining Lien</u>	<u>% of Total Remaining Lien</u>	<u>Value-to- Lien</u>
Single Family	1,914	\$574,742,086	\$16,871,563.86	96.34%	34.07 : 1
Vacant	30	3,159,308	558,268.75	3.19%	5.66 : 1
San Francisco BART District	1	757,991	69,516.40	0.40%	10.9 : 1
City of Pittsburg	1	323,591	12,599.85	0.07%	25.68 : 1
<b>Total <sup>(2)</sup></b>	<b>1,946</b>	<b>\$578,982,976</b>	<b>\$17,511,948.86</b>	<b>100.00%</b>	<b>33.06 : 1</b>

(1) 7 Parcels classified as Developed Property were confirmed by the developer (Seeno Construction Co) as developed but such development status is not yet reflected on the County Secured Roll.

(2) Liens for parcels that are within both Oak Hills South District and Oak Hills Water District were combined to calculate Value-to-Lien.

Source: Willdan Financial Services.

Set forth in the table below summarizes value-to-lien ratios and other information for the parcels in the Reassessment District.

**Table 5**  
**City of Pittsburg**  
**Reassessment District No. 2011-01**  
**Summary of Value-to-Lien Ratios**

<u>Value-to-Lien</u>	<u>Number of Parcels</u>	<u>Remaining Lien</u>	<u>Percent of Total</u>	<u>Cumulative Percent</u>
50:1 and Above	262	\$ 1,499,493.42	8.56%	8.56%
40:1 - 49.99:1	293	1,936,332.39	11.06%	19.62%
30:1 - 39.99:1	886	8,193,613.98	46.79%	66.41%
20:1 - 29.99:1	385	4,197,956.84	23.97%	90.38%
10:1 - 19.99:1	51	640,734.35	3.66%	94.04%
3:1 - 9.99:1	69	1,043,817.89	5.96%	100.00%
Less than 3:1	N/A	N/A	N/A	
<b>Total <sup>(1)</sup></b>	<b>1,946</b>	<b>\$17,511,948.86</b>	<b>100.00%</b>	

(1) Liens for parcels that are within both Oak Hills South District and Oak Hills Water District were combined to calculate Value-to-Lien.

Source: Willdan Financial Services.

## Delinquency Information

According to County records, as of the date hereof, owners of 36 of the taxable parcels of property within the Reassessment District were delinquent in their respective regular property tax payments of Fiscal Year 2010-11. Set forth in the table below is a summary of assessment collection and delinquency payment history for assessments levied in the Reassessment District for Fiscal Years 2006-07 through 2010-11.

**Table 6**  
**City of Pittsburg**  
**Reassessment District No. 2011-01**  
**Assessment Collections and Delinquencies**  
**Fiscal Years 2006-07 through 2010-11**

Fiscal <u>Year</u>	Amount <u>Assessed</u>	Total Parcels <u>Assessed</u>	<u>As of Fiscal Year End</u>			
			Amount <u>Collected</u>	Amount <u>Delinquent</u>	Number of Delinquent <u>Parcels</u>	Percent <u>Delinquent</u>
2006-07	\$ 1,959,828	1,896	\$ 1,958,723	\$ 1,104.94	2	0.06%
2007-08	1,962,106	1,949	1,960,602	1,504.70	2	0.08%
2008-09	1,969,833	1,949	1,968,694	1,139.39	2	0.06%
2009-10	1,959,095	1,949	1,945,853	12,242.10	14	0.62%
2010-11	1,969,411	1,946	1,942,398	27,012.55	36	1.37%

Source: Willdan Financial Services.

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**Direct and Overlapping Debt**

Set forth in Table 7 below is the statement of direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and dated as of August 1, 2011. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. None of the Authority, the City or the Underwriters have independently verified the information in the Debt Report for completeness or accuracy and make any representation in connection therewith.

**Table 7  
City of Pittsburg  
Reassessment District No. 2011-01  
Direct and Overlapping Debt  
as of August 1, 2011**

2011-12 Assessed Valuation: \$551,761,470

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 8/1/11</u>
Bay Area Rapid Transit District	0.118%	\$ 486,797
Contra Costa Community College District	0.410	934,554
Mount Diablo Unified School District	1.588	4,975,205
Pittsburg Unified School District	2.274	3,669,894
East Bay Regional Park	0.181	278,722
Mt. Diablo Unified School District Community Facilities District No. 1	1.588	836,479
<b>City of Pittsburg 2011 Reassessment District</b>	<b>100.</b>	<b><u>17,610,479</u></b> (2)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$28,792,130
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Contra Costa County General Fund Obligations	0.142%	\$ 453,887
Contra Costa County Pension Obligations	0.142	567,773
Contra Costa County Community College District Certificates of Participation	0.143	1,323
Pittsburg Unified School District Certificates of Participation	0.313	199,318
City of Pittsburg Pension Obligations	9.710	3,760,300
Contra Costa County Fire Protection District Pension Obligations	0.317	<u>353,756</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$5,336,357
 COMBINED TOTAL DEBT		 \$34,128,487 (3)

- (1) Based on 2010-11 ratios.
- (2) Excludes refunding 1915 Act bonds to be sold.
- (3) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

<b>Direct Debt (\$17,610,479)</b> .....	<b>3.19%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	5.22%
Combined Total Debt .....	6.19%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics, Inc.

## **BONDOWNERS' RISKS**

*This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

### **Limited Obligations**

Payment of the principal of, premium, if any, and interest on the Bonds is secured primarily by payments received from the City as payment on the Local Obligations. The City's legal obligations with respect to any delinquent Reassessment which secure the Local Obligations are limited to instituting judicial foreclosure proceedings. Neither the Local Obligations nor the Bonds can be accelerated in the event of any default.

### **No Liability of the Authority to the Owners**

Except as expressly provided in the Trust Agreements, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the debt service on the Local Obligations by the City, or with respect to the observance or performance by the City of other agreements, conditions, covenants and terms required to be observed or performed by the City under the Local Obligation Resolution, with respect to the performance by the respective Trustee of any obligation required to be performed by it under the respective Trust Agreement.

### **Absence of Market for the Subordinate Bonds**

No application has been made for a credit rating for the Subordinate Bonds, and it is not known whether a credit rating, could be secured either now or in the future for the Subordinate Bonds. Payment of the Subordinate Bonds is not insured by any bond insurer. There can be no assurance that there will ever be a secondary market for purchase or sale of the Subordinate Bonds, depending upon the prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the parcels within the Reassessment District.

### **Failure to Pay Reassessment Installments**

Under the provisions of the Act, the Reassessment, from which funds for the payment of annual installments of principal of and interest on the Bonds are derived, will be billed to the owners of the property against which there are unpaid Reassessment, on the regular property tax bills sent to owners of such properties. Such Reassessment is due and payable at the same time and bear the same penalties and interest for non-payment as regular property tax installments. Reassessment installment payments cannot be made separately from property tax payments.

In order to pay debt service on the Local Obligations, it is necessary that unpaid installments of Reassessment are paid in a timely manner. Should the installments not be paid on time, no reserve account has been established by the City as a source of money for payment of the Local Obligations. The Authority has established a Reserve Fund for the Bonds in the amount of the applicable Reserve Requirement from the proceeds of the Bonds to help cover delinquencies in the payment of debt service on the Bonds. Under the flow of funds provided for in the Trust Agreements, uncollected assessment installments will first cause a reduction in

the amount of Subordinated Revenues available for payment of the Subordinate Bonds prior to causing a reduction in the amount of Revenues available for payment of the Senior Bonds.

In all respects the Local Obligations shall be governed by the provisions of the Act except that the provisions of the Act requiring the City to advance the amount of delinquent reassessment installments shall not apply. The City has no direct or contingent liability to transfer into the Local Obligation Redemption Fund for the Local Obligations the amount of any delinquency out of any other available moneys of the City. The Reassessment are secured by liens on the private properties within the Reassessment District.

In the event of a default in the payment of a Reassessment installment, the City has covenanted under certain circumstances to institute foreclosure proceedings to sell the parcel with delinquent installments for the amount of such delinquent installments in order to obtain funds to pay debt service on the Local Obligations.

The Reassessment are a lien on the parcels included within the Reassessment District and the City has covenanted to institute foreclosure proceedings, in certain circumstances, to sell parcels with delinquent installments for amounts sufficient to cover such delinquent installments. The Act provides that under certain circumstances property may be sold upon foreclosure at a lesser Minimum Price or without a Minimum Price. "Minimum Price" as used in the Act is the amount equal to the delinquent installments of principal or interest of the reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the Act. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an ultimate loss to the owners of the Local Obligations or, under certain circumstances, if the holders of 75% or more of the outstanding Local Obligations consent to such sale. However, there can be no assurance that there will not be a delay in payments of debt service on the Local Obligations. See "– Bankruptcy and Foreclosure" below.

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

Unpaid Reassessment do not constitute a personal indebtedness of the current or subsequent owners of the parcels included in the Reassessment District. There is no assurance that any current or subsequent owner of a parcel of land included in the Reassessment District will be able to pay the reassessment installments or that it will pay such installments even though financially able to do so.

#### **Payment of the Reassessments is Not a Personal Obligation of the Property Owners**

**AN OWNER OF PROPERTY IS NOT PERSONALLY OBLIGATED TO PAY THE REASSESSMENTS. RATHER, THE REASSESSMENTS ARE OBLIGATIONS ONLY AGAINST THE PROPERTY. IF THE VALUE OF THE PARCELS OF PROPERTY IS NOT SUFFICIENT, TAKING INTO ACCOUNT OTHER OBLIGATIONS ALSO PAYABLE THEREBY TO FULLY SECURE THE REASSESSMENTS, THE CITY HAS NO RECOURSE AGAINST THE OWNER.**

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

The Authority may not issue indebtedness payable from the Revenues other than the Bonds. However, neither the Authority nor the City has any control over the amount of additional debt payable from taxes or assessments on all or any portion of the property within the Reassessment District that may be issued in the future by other governmental entities or districts having jurisdiction over all or a portion of the land within the Reassessment District. To the extent such debt is payable from assessments or special taxes levied pursuant to

the applicable law, such assessments or special taxes may have a lien on the property within the Reassessment District on a parity with the lien of the Reassessments.

The ability or willingness of a property owner in the Reassessment District to pay the Reassessments could be affected by the existence of other taxes and assessments imposed upon the property. The assessments and any penalties thereon constitute a lien against the lots and parcels of land on which they have been levied until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes and other special assessments regardless of when they are imposed upon the same property, but has priority over all existing and future private liens imposed on the property. In addition, other public agencies whose boundaries overlap those of the Reassessment District could, with or in some circumstances without the consent of the owners of the land in the Reassessment District, impose additional taxes or assessment liens on the property in the Reassessment District in order to finance public improvements to be located inside or outside of the Reassessment District.

The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property in the Reassessment District. In addition, the City is not prohibited itself from establishing assessment districts, community facilities districts or other districts which might impose assessments or taxes against property in the Reassessment District. The imposition of additional liens on a parity with the Reassessments could reduce the ability or willingness of the owners of parcels in the Reassessment District to pay the Reassessments and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Reassessments or the principal of and interest on the Bonds when due. As of the date of this Official Statement, the City has no knowledge of any proposal or plan to levy additional assessments on property within the Reassessment District.

### **Land Values**

The value of the land within the Reassessment District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of a reassessment installment, the City's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the reassessment. Reductions in land values due to a downturn in the economy, physical events such as earthquakes or floods, stricter land use regulations or other events will adversely impact the security underlying the reassessment.

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

### **Exempt Properties**

Certain properties are exempt from the Reassessments. In addition, the Act provides that properties or entities of the state, federal or local government are exempt from Reassessments; *provided, however*, that property in the Reassessment District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Reassessments, will continue to be subject to the Reassessments. In addition, the Act provides that if property subject to the Reassessments is acquired by a public entity through eminent domain proceedings, the obligation to pay the Reassessments with respect to that property is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested.

### **Termination of Teeter Plan**

In 1949, the California Legislature enacted an alternative method for the distribution of secured ad valorem property taxes to local agencies, commonly referred to as the "Teeter Plan." The County was the first Teeter Plan county in the State. In October, 1959, this method of apportioning taxes was extended to all

assessments then being collected on the County secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the Reassessment District, with full tax and assessment levies instead of actual tax and assessment collections. In return the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may help protect Owners from the risk of delinquencies in the payment of special taxes. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the Reassessment District would eliminate such protection from delinquent special taxes. See "SECURITY FOR THE BONDS – The Teeter Plan."

### **Bankruptcy and Foreclosure**

The payment of reassessment installments and the ability of the City to foreclose the lien of delinquent unpaid reassessment installments may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or legal delaying tactics.

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

Although bankruptcy proceedings would not cause the lien of the reassessments to become extinguished, bankruptcy of a property owner or anyone claiming an interest in property within the Reassessment District could result in a delay in prosecuting superior court foreclosure proceedings and could result in the possibility of delinquent reassessment installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Local Obligations. The payment of reassessment installments and the ability of the City to foreclose the lien of a delinquent unpaid reassessment installment could be substantially curtailed by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

### **FDIC/Federal Government Interests in Properties**

The ability of the City to foreclose the lien of delinquent unpaid Reassessment installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest. In the event that any financial institution making any loan which is secured by real property within the Reassessment District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid special taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment,

garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts.

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

### **Failure to Develop Land**

Of the 1,946 parcels within the Reassessment District subject to the reassessment lien, 31 parcels relate to undeveloped land. The incentive for such property owners in the Reassessment District to pay their reassessment installments when due could be reduced if the development potential of their property is diminished. No assurance can be given that such development potential of the vacant land in the Reassessment District will not be diminished.

The development potential of the vacant land in the Reassessment District is based, in part, on the assumption that discretionary approvals to build a home, or in some cases, to subdivide land and build several homes can be obtained from the appropriate governmental agencies. The future development of the land within the Reassessment District, may be adversely affected by existing or future governmental policies, or both, restricting or controlling the development of land in the Reassessment District. There can be no assurance that the owners of the vacant land in the Reassessment District will be able to secure the necessary discretionary approvals if they choose to develop their properties. A failure to be able to secure those discretionary approvals could reduce the desire of the property owners to pay their annual reassessment installments when due.

In addition to reducing the ability and/or willingness of the owners of the vacant land in the Reassessment District to make reassessment installment payments when due, a reduction of the development potential of the land could adversely affect land values and reduce the proceeds which could be collected at a foreclosure sale in-the event that reassessment installments are not paid when due.

### **Geologic, Topographic and Climatic Conditions**

The value of the property in the Reassessment District in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public and private improvements to property and the continued habitability and enjoyment of such improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides, slope instability and floods and climatic conditions such as flooding, fires and droughts. The Oak Hills South Units 5, 6 and 7 District, Oak Hills South District, Oak Hills Water District and San Marco District are located within the Southwest Pittsburg Geological Hazard Abatement District (GHAD) which was established in order to provide maintenance of slope stability in the certain open space areas of the City.

The occurrence of any natural disaster in the City could have an adverse material impact on the ability of property owners within the Reassessment District to make payments of Reassessments and therefore affect the revenues available for the payment of the Bonds.

## **Hazardous Substances**

While governmental taxes, assessments, and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value of a parcel in a Reassessment District is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any parcel in a Reassessment District be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal liability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the Reassessment District resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of any parcel within a Reassessment District that is realizable upon a delinquency.

## **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability to the Authority to levy and collect both existing and future taxes, assessments, fees and charges. Under the Act, Section 9525(b) of the California Streets and Highways Code, the Reassessments herein are not assessments within the meaning of, and may be ordered without compliance with the procedural requirements of, Article XIIID of the California Constitution. In addition, under Section 10400 of the California Streets and Highways Code, any challenge (including any constitutional challenge) to the proceedings or the assessment must be brought within 30 days after the date the assessment was levied. With respect to the Prior Districts with respect to which the City completed its proceedings for the levy of assessments after July 1, 1997, the City complied with the provisions of Section 4 of Article XIIID.

Article XIIIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIIIIC does not define the term “assessment”, and it is unclear whether this term is intended to include assessments levied under the 1913 Act. Furthermore, this provision of Article XIIIIC is not, by its terms, restricted in its application to assessments which were established or imposed on or after July 1, 1997. In the case of the unpaid Reassessments which are pledged as security for the payment of the Bonds, the Act provides a mandatory, statutory duty of the City and the County Auditor to post installments on account of the unpaid Reassessments to the property tax roll of the County each year while any of the Bonds are outstanding, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year. Although the matter is not free from doubt, it is likely that a court would hold that Article XIIIIC has not conferred on the voters the power to reduce or repeal the unpaid Reassessments which are pledged as security for payment of a Bond or to otherwise interfere with performance of the mandatory, statutory duty of the City and

the County Auditor with respect to the unpaid Reassessments which are pledged as security for payment of the Bonds.

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

### **Ballot Initiatives and Legislative Measures**

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process, and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provision for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

### **Redemption of Bonds Prior to Maturity from Reassessment Prepayments**

The Bonds are subject to extraordinary redemption prior to maturity from Reassessment Prepayments from and to the extent of any amounts received by the Trustee representing a redemption of the Local Obligations pursuant to the Local Obligation Resolution. The redemption of a portion the Local Obligations will result from the prepayment by any property owner of the reassessment lien on his or her property within the Reassessment District.

### **No Acceleration Provision**

Neither the Local Obligation Resolution nor the Trust Agreements contain a provision allowing for the acceleration of the Local Obligations or the Bonds, respectively, in the event of a payment default or other default under the terms thereof.

### **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds or securities).

### **Loss of Tax Exemption**

As discussed under "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the Authority subsequent to the issuance of the Bonds in violation of the Authority's covenants with respect to the Bonds. Should interest become includable in gross income, the Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or unless earlier redeemed pursuant to optional or mandatory redemption.

## TAX MATTERS

In the opinion of Meyers, Nave, Riback, Silver & Wilson, A Professional Law Corporation, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expects to deliver at the time of issuance of the Bonds the opinion substantially in the form set forth in APPENDIX C hereto.

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

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

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

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

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

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

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

## **LEGAL OPINIONS**

The validity of the Bonds and certain other legal matters are subject to the approving legal opinion of Meyers, Nave, Riback, Silver & Wilson, A Professional Law Corporation, Oakland, California, Bond Counsel. A copy of the proposed form of Bond Counsel opinion is contained in APPENDIX C to this Official Statement. Certain legal matters will be passed upon for the City and the Authority by Meyers, Nave, Riback, Silver & Wilson, A Professional Law Corporation, as general counsel and as Disclosure Counsel.

The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance of the Bonds.

## NO LITIGATION

Except as disclosed in this Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court or governmental agency or body, pending or, to the best knowledge of the Authority, threatened against the Authority, to restrain or enjoin the execution or delivery of the Bonds, or the collection or assignment of the Revenues or the Subordinated Revenues or in any way contesting or affecting the validity or enforceability of the Bonds, the Trust Agreements or the Bond Purchase Agreement (as defined below) or contesting the powers of the Authority to enter into or perform its obligations under any of the foregoing.

## CONTINUING DISCLOSURE

The Authority and the City have determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the Authority will not provide such information.

The City has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide annually while any Bonds are outstanding, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State of California as a state repository for purposes of Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission (each, a “Repository”) certain annual financial information and operating data, including its Comprehensive Audited Financial Report by not later than 8 months after the end of each Fiscal Year (the “Annual Report”) commencing with the report for Fiscal Year 2010-11. The specific nature of the information to be contained in the Annual Report or the notices of material events is contained in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriters in complying with the Rule.

The City has never failed to comply in all material respects with any of its previous continuing disclosure undertakings during the last five years with regard to such Rule to provide annual reports or any notices of material events.

## RATINGS

### Senior Bonds

Standard & Poor’s Ratings Services (“S&P”) is expected to assign a rating of “AA+” (negative outlook) to the Senior Bonds based upon the understanding that, concurrently with the issuance of the Senior Bonds, AGM will issue the Policy. See “BOND INSURANCE FOR THE SENIOR BONDS” and APPENDIX F – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY FOR THE SENIOR BONDS.” Standard & Poor’s has assigned an underlying rating of “A” to the Senior Bonds. Such rating reflects only the view of Standard & Poor’s and does not constitute a recommendation to buy, sell or hold the Senior Bonds. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of and/or the ability to trade the Senior Bonds.

## **Subordinate Bonds**

**The Authority has not made and does not contemplate making an application to any rating agency for the assignment of a rating to the Subordinate Bonds.** There can be no guarantee that there will be a secondary market for the Subordinate Bonds or, if a secondary market exists, that such Subordinate Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **UNDERWRITING**

### **General**

The Bonds are being purchased by Piper Jaffray & Co. and Stinson Securities, LLC (collectively, the “Underwriters”). The Bond Purchase Agreement relating to the Bonds (the “Bond Purchase Agreement”) provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

*Senior Bonds.* The Underwriters purchased the Senior Bonds at the price of 15,455,364.70 (representing the principal amount of the Senior Bonds of \$15,585,000, plus a net original issue premium of \$65,177.20 and less an Underwriters’ discount of (\$194,812.50).

*Subordinate Bonds.* The Underwriters purchased the Subordinate Bonds at a price of \$2,186,349.35 (representing the principal amount of the Subordinate Bonds of \$2,255,000, less a net original issue discount of \$34,825.65 and less an Underwriters’ discount of \$33,825.00).

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper.

## **FINANCIAL ADVISOR**

The City has retained Public Financial Management, Inc., San Francisco, California, as financial advisor (the “Financial Advisor”) in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

The compensation of the Financial Advisor is contingent upon the issuance of the Bonds.



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## APPENDIX A

### CERTAIN DEMOGRAPHIC AND ECONOMIC INFORMATION RELATING TO THE CITY OF PITTSBURG

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

#### General Description

The City of Pittsburg (the "City") is located in the eastern portion of Contra Costa County (the "County") at the confluence of the San Joaquin and Sacramento Rivers about 40 miles northeast of San Francisco. Originally a coal shipping port, the City was founded in 1849 and incorporated in 1903 as a general law city. In the 1940's and early 1950's, the City was a major commercial and industrial center for the County and the eastern ports of the greater San Francisco Bay Area. During World War II and the Korean War the City was a major military embarkation point. Today, the City is part of the second largest industrial center in the County.

#### Population

The State Department of Finance estimates the population of the City to be 63,730 as of January 1, 2011. The following table summarizes the population of the City, the County and the State of California (the "State") in 2000 and from 2005 through 2011.

#### CITY OF PITTSBURG POPULATION ESTIMATES

Calendar Year	City of Pittsburg	County of Contra Costa	State of California
2000	56,769	948,816	33,873,086
2005	62,171	1,016,372	36,676,931
2006	62,189	1,025,436	37,087,005
2007	62,684	1,035,097	37,463,609
2008	63,351	1,048,185	37,871,509
2009	63,827	1,061,325	38,255,508
2010	63,096	1,047,948	37,223,900
2011	63,730	1,056,064	37,510,766

Source: California Department of Finance for January 1.

## Employment

The following table summarizes the civilian labor force, employment, unemployment and employment by industry in the County for calendar years 2006 through 2011. As of June 2011, the County unemployment rate had decreased from 11.2% to 11%. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

### CONTRA COSTA COUNTY CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT, EMPLOYMENT BY INDUSTRY (ANNUAL AVERAGES)

<u>Civilian Labor Force:</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Civilian Labor Force	511,700	515,300	524,200	524,800	522,400
Employment	489,800	491,200	492,000	471,300	463,700
Unemployment	21,900	24,100	32,200	53,500	58,700
Unemployment Rate	4.3%	4.7%	6.1%	10.2%	11.2%
<u>Industry Employment:</u>					
Total, All Industries	344,500	346,800	339,500	320,900	312,400
Total Farm	700	700	700	800	800
Total Nonfarm	343,800	346,000	338,800	320,100	311,600
Goods Producing	50,400	49,700	46,500	40,200	36,500
Manufacturing	20,200	20,600	20,700	19,000	18,100
Durable Goods	8,700	8,400	8,300	6,800	6,600
Nondurable Goods	11,600	12,200	12,400	12,200	11,500
Service Providing	293,400	296,300	292,300	280,000	275,100
Trade, Transportation & Utilities	61,500	62,300	61,200	57,500	55,500
Wholesale Trade	9,100	9,100	8,700	7,700	7,600
Retail Trade	44,000	44,400	43,600	41,300	40,100
Transportation, Warehousing & Utilities	8,400	8,800	8,900	8,400	7,900
Information	13,400	13,000	11,800	10,400	9,800
Financial Activities	32,100	29,100	26,600	25,600	25,500
Finance & Insurance	24,700	22,400	20,100	19,300	19,300
Real Estate & Rental & Leasing	7,400	6,800	6,400	6,300	6,200
Professional & Business Services	50,600	49,400	49,300	45,400	43,700
Professional, Scientific & Technical Services	23,700	23,100	23,400	22,000	22,900
Management of Companies & Administrative & Support & Waste Services	7,800	7,500	7,700	6,700	5,300
Educational & Health Services	42,700	44,600	45,600	46,200	48,600
Educational Services	5,900	6,100	6,200	6,300	6,300
Health Care & Social Assistance	36,800	38,500	39,400	39,900	42,300
Leisure & Hospitality	32,400	33,200	32,800	31,500	31,500
Arts, Entertainment & Recreation	6,000	5,800	5,700	5,600	5,700
Accommodation & Food Services	26,400	27,400	27,200	25,900	25,800
Other Services	12,200	12,500	12,400	11,700	11,600
Government	48,900	52,200	52,600	51,800	48,900
Federal Government	6,500	6,500	6,700	7,000	5,300
State Government	900	1,000	1,100	1,100	1,200
Local Government	41,500	44,700	44,900	43,700	42,500

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

## Effective Buying Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2006 through 2010. Figures are not yet available for 2011.

### EFFECTIVE BUYING INCOME 2006 THROUGH 2010

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying</u>
2006	City of Pittsburg	1,043,118	47,018
	Contra Costa County	27,450,775	56,979
	California	720,798,122	44,681
	United States	5,894,664,154	40,529
2007	City of Pittsburg	1,066,273	47,835
	Contra Costa County	28,611,520	58,497
	California	764,120,982	46,275
	United States	6,107,093,057	41,255
2008	City of Pittsburg	1,129,843	49,340
	Contra Costa County	30,138,295	61,123
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2009	City of Pittsburg	1,143,750	50,150
	Contra Costa County	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2010	City of Pittsburg	1,210,668	50,492
	Contra Costa County	31,197,703	64,213
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: Sales & Marketing Management Survey of Buying Power.

## Major Employers

The City is part of the second largest industrial center in the County. Most of the industrial plants are located outside the City limits on continuous parcels. The leading group classes of products are: steel, chemicals, and retail. The ten largest non-government employers in the Pittsburg area are as follows.

### CITY OF PITTSBURG TEN LARGEST EMPLOYERS (NON-GOVERNMENT EMPLOYERS) CALENDAR YEAR 2011

<u>Employers</u>	<u>Type of Business</u>	<u>Number of Employees</u>
USS-POSCO Industries	Primary Metal Industry	1,000
DOW Chemical Company	Chemical Product/Production	425
WalMart	General Merchandise Retail	320
Target	General Merchandise Retail	154
Best Buy	Consumer Electronics Retail	150
Ramar International Corporation	Ethnic Frozen Food Production	140
Raley's	Retail Supermarket Chain	125
Angelica Corp	Linen Management Services	120
Diamond Ridge Healthcare Center	Nursing Home Facility	120
Olive Garden Italian Restaurant	Italian Food Restaurant Chain	120

Source: ReferenceUSA.

## Commercial Activity

A summary of historic taxable sales within the City during the past five years is shown in the following table. Figures are not yet available for 2010.

### CITY OF PITTSBURG TAXABLE TRANSACTIONS (FIGURES IN THOUSANDS)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Retail and Food Services: <sup>(1)</sup>					
Clothing and Clothing Accessories Stores	17,688	16,597	15,597	17,156	19,613
General Merchandise Stores	83,484	84,021	82,339	77,166	64,921
Food Services and Drinking Places	32,518	31,941	32,738	33,323	56,533
Food and Beverage Stores	51,660	55,718	58,578	58,409	37,570
Home Furnishings and Appliance Stores	24,025	22,828	15,835	22,720	23,528
Bldg. Matrl. and Garden Equip. and Supplies	24,025	74,232	67,798	45,201	*
Motor Vehicle and Parts Dealers	191,786	172,198	156,780	114,282	70,612
Gasoline Stations	34,712	40,853	56,501	67,433	47,863
Other Retail Group	<u>76,476</u>	<u>76,520</u>	<u>62,518</u>	<u>42,153</u>	<u>71,649*</u>
Total Retail and Food Services	601,296	574,908	548,684	477,842	392,290
All Other Outlets	<u>146,683</u>	<u>130,449</u>	<u>138,721</u>	<u>142,823</u>	<u>209,597</u>
<b>TOTAL ALL OUTLETS</b>	<u>747,979</u>	<u>705,357</u>	<u>687,405</u>	<u>620,665</u>	<u>601,887</u>

(1) "Type of Business" categories updated in 2011.

\* Sales omitted because their publication would result in the disclosure of confidential information.

Source: State Board of Equalization.

## Construction Trends

Provided below are the building permits and valuations for the City for calendar years 2006 through 2010.

### CITY OF PITTSBURG TOTAL BUILDING PERMIT VALUATIONS

	2006	2007	2008	2009	2010
<u>Permit Valuation</u>					
New Single-family	27,971,326	42,630,998	7,366,505	26,120,976	12,720,267
New Multi-family	11,630,000	27,621,580	24,590,889	0	9,714,600
Res. Alterations/Additions	10,587,678	5,787,657	4,437,257	3,454,758	2,242,802
Total Residential	50,189,004	76,040,235	36,394,651	29,575,734	24,677,669
New Commercial	11,937,523	7,308,064	1,762,000	4,500,000	3,813,720
New Industrial	0	4,237,204	51,710,000	0	12,928,067
New Other	2,093,830	2,511,712	2,299,400	318,300	2,566,921
Com. Alterations/Additions	19,923,754	25,292,679	6,040,167	5,149,662	10,720,717
Total Nonresidential	33,955,107	39,349,659	61,811,567	9,967,962	30,029,425
<u>New Dwelling Units</u>					
Single Family	156	229	42	154	67
Multiple Family	103	330	133	0	111
TOTAL	259	559	175	154	178

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

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## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

*The following is a summary of certain provisions of the Series A Trust Agreement, the Series B Trust Agreement and the Local Obligation Resolution pertaining to the Bonds. This summary is not intended to be definitive and is supplemental to the summary of such documents contained elsewhere in this Official Statement. Reference is directed to the Series A Trust Agreement, the Series B Trust Agreement and the Local Obligation Resolution for the complete text of each document. Copies of each document are available from the City.*

*The Series A Trust Agreement includes provisions summarized under the section entitled "Provisions Relating to the Insurance Policy," which provisions have been included therein in order to comply with conditions of the Insurer. Please note that, as specified in the Series A Trust Agreement, the provisions summarized under the section entitled "Provisions Relating to the Insurance Policy" shall govern the interpretation and application of the Series A Trust Agreement. The provisions of this summary, and the balance, of the Series A Trust Agreement should be read with that in mind.*

#### I. Definitions

The following are definitions of certain of the terms used in the Series A Trust Agreement and Subordinated Series B Trust Agreement (collectively, the "**Trust Agreements**") and this Official Statement, and not otherwise defined this Official Statement. Reference is made to the entire documents for the definitions of all terms used in such documents. The following definitions are equally applicable to both the singular and plural forms of any of the terms defined herein:

"**Accountant**" means an independent certified public accountant, or a firm of independent certified public accountants, selected by the Authority.

"**Act**" means the Refunding Bond Act of 1984 for 1915 Improvement Act Bonds, being Division 11.5 of the California Streets and Highways Code, as amended and supplemented from time to time.

"**Annual Debt Service**" means, for each Fiscal Year, the sum of (1) the interest due on Outstanding Bonds in such Fiscal Year, assuming that all Principal Installments are paid as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), plus (2) the scheduled Principal Installments of the Outstanding Bonds payable in such Fiscal Year.

"**Authority**" means the Pittsburg Infrastructure Financing Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California, and its successors.

"**Authorized Denominations**" means five thousand dollars (\$5,000) and any integral multiple thereof, but not exceeding the principal amount of Bonds maturing on any one date.

"**Authorized Officer**," when used with reference to the Authority, means the Chair, Vice-Chair, Treasurer/Controller or any other person authorized by the Authority in a Written Order or resolution to perform an act or sign a document on behalf of the Authority, and when used with reference to the City, means the City Manager, the Finance Director or any other person authorized by the City in a Written Order or resolution to perform an act or sign a document on behalf of the City.

"**Average Annual Debt Service**" means the average Annual Debt Service over all Fiscal Years during which the Bonds are scheduled to remain Outstanding.

"**Beneficial Owner**" means any Person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Bonds.

“**Bond**” or “**Bonds**” shall mean any Series A Bond (or all of the Series A Bonds) and any Series B Bonds (or all of the Series B Bonds), authorized and issued by the Authority and authenticated by the Trustee and delivered under the Trust Agreements.

“**Bond Counsel**” means an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions.

“**Bond Proceeds**” means the amount received by the Trustee from the Underwriter on the Closing Date on account of the purchase price of the Bonds.

“**Bond Register**” means the registration books specified as such in the Trust Agreements.

“**Business Day**” means any day other than (i) a Saturday or a Sunday or (ii) a day on which commercial banks in New York, New York, or the city in which the Corporate Trust Office of the Trustee is located are closed.

“**Cede & Co.**” means Cede & Co., the nominee of DTC.

“**Chair**” means the Chair of the Authority.

“**City**” means the City of Pittsburg, a municipal corporation duly organized and existing under the Constitution and laws of the State of California, and its successors.

“**City Manager**” means the person who is the duly appointed and acting City Manager of the City.

“**Closing Date**” shall mean the date of delivery of the Bonds to the original purchaser thereof.

“**Code**” means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

“**Continuing Disclosure Certificate**” means the Continuing Disclosure Certificate executed by the City, acting on behalf of the Authority as provided by the Local Obligation Resolution, dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“**Corporate Trust Office**” means the office of the Trustee in San Francisco, California, or such other office as designated by the Trustee or its successor or assigns.

“**Dated Date**” means the date of delivery of the Bonds.

“**Defeasance Obligations**” means (1) cash, (2) non-callable direct obligations of the United States of America (“**Treasuries**”), (3) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries 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 Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated or (4) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively (or any combination thereof).

“**Depository**” means the securities depository acting as Depository pursuant to the Trust Agreements. DTC is designated as the Depository for the Bonds at the time that the Bonds are initially issued and delivered to the original purchaser.

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

“**Escrow Agent**” means The Bank of New York Mellon Trust Company, N.A., as escrow agent under the Refunding Escrow Agreement.

“**Event of Default**” means any event of default specified as such in the Trust Agreements.

“**Expenses**” means all costs of issuing the Bonds and the Local Obligations; all administrative costs of the Authority and the City that are charged directly or apportioned to the administration of the Local Obligations and the Bonds, such as salaries and wages of employees, audits, overhead and taxes (if any); legal and financial consultant fees and expenses; amounts necessary to pay to the United States of America or otherwise to satisfy requirements of the Code in order to maintain the tax-exempt status of the Bonds; compensation, reimbursement and indemnification of the Trustee, together with all other reasonable and necessary costs of the Authority and the City or charges required to be paid by either of them to comply with the terms of the Trust Agreements, the Bonds or the Local Obligations; all fees and costs incurred by the Authority or the City in the course of complying with requirements for continuing disclosure pursuant hereto; and all reasonable fees, costs and expenses of a nature similar to any of the foregoing.

“**Expense Fund**” means the fund by that name established pursuant to the Series A Trust Agreement.

“**Finance Director**” means the person who is the duly appointed and acting Finance Director of the City.

“**Fiscal Agent**” means The Bank of New York Mellon Trust Company, N.A., first as successor to U.S. Bank Trust National Association, as fiscal agent under Resolution No. 98-8718, adopted by the City Council of the City on September 21, 1998, pertaining to the Refunded Marina Walk Bonds, and second as successor to BNY Western Trust Company, as fiscal agent under (a) the Fiscal Agent Agreement, dated as of June 1, 2001, between the City and the Fiscal Agent, pertaining to the Refunded Oak Hills Bonds, and (b) the Fiscal Agent Agreement, dated as of June 1, 2001, between the City and the Fiscal Agent, pertaining to the Refunded San Marco (Phase I) Bonds.

“**Fiscal Year**” means the fiscal year of the Authority, which is the period commencing on July 1st in each calendar year and ending on June 30th in the following calendar year.

“**Fund**” or “**Funds**” means any or all, as the case may be, of the Revenue Fund, the Expense Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Reserve Fund, the Proceeds Fund, the Local Obligation Fund and the Rebate Fund, including all accounts therein.

“**Government Obligations**” means the following securities: United States Treasury Obligations - State and Local Government Series (SLGS), and United States Treasury bills, notes and bonds.

“**Information Services**” means the following information services: (i) Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor, (ii) Kenny Information Services “Called Bond Service,” 65 Broadway Street, 28th Floor, New York, New York 10004, (iii) Moody’s “Municipal and Government,” 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports, and (iv) Standard and Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or no such services, as the Authority may designate in an Officer’s Certificate delivered to the Trustee.

“**Insurance Policy**” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

“**Insurer**” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

“**Interest Fund**” means the fund by that name established pursuant to the Trust Agreements.

“**Interest Payment Date**” means March 2nd and September 2nd in each year, commencing on March 2, 2012.

“**Investment Securities**” means any of the securities that are specified in the Trust Agreements, to the extent permitted by the laws of the State and the Investment Policy of the City, as it may be amended from time to time.

“**Letter of Representations**” means the letter of the Authority and the Trustee, if required, delivered to and accepted by the Depository on or prior to the issuance of bonds setting forth the basis on which the Depository serves as depository for the bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

“**Local Obligation Fund**” means the fund by that name established pursuant to the Series A Trust Agreement.

“**Local Obligation Resolution**” means the Resolution adopted by the City Council of the City on August 1, 2011, providing for the issuance of Local Obligations upon the security of the reassessments levied in the reassessment district known as City of Pittsburg Reassessment District No. 2011-1.

“**Local Obligations**” means the City of Pittsburg Limited Obligation Refunding Bonds, Reassessment District No. 2011-1, issued upon the security of the reassessments of Reassessment District No. 2011-1 pursuant to the Local Obligation Resolution and the Act.

“**Maximum Annual Debt Service**” means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

“**Nominee**” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreements.

“**Non-Asset Bond Amount**” shall mean an amount equal to the difference between the aggregate amount of Outstanding Series A Bonds and Series B Bonds and the aggregate amount of Outstanding Local Obligations.

“**Officer’s Certificate**” means a certificate signed by an Authorized Officer.

“**Opinion of Bond Counsel**” means a legal opinion signed by a Bond Counsel.

“**Outstanding**” means, with respect to the Bonds and as of any date, the aggregate of Bonds authorized, issued, authenticated and delivered under the Trust Agreements, except:

- (a) Bonds canceled or surrendered to the Trustee for cancellation pursuant to the Trust Agreements;
- (b) Bonds deemed to have been paid pursuant to the Trust Agreements; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Trust Agreements.

“**Owner**” means, as of any date, the Person or Persons in whose name or names a particular Bond is registered on the Bond Register as of such date.

“**Participants**” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds the Bonds as securities depository.

“**Person**” means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“**Policy Payments Account**” means the account by that name established by the Trustee under the circumstances and maintained and administered by the Trustee as provided by the Series A Trust Agreement.

“**Prepayment Account**” means the account by that name within the Revenue Fund established pursuant to the Series A Trust Agreement.

“**Principal Fund**” means the fund by that name established pursuant to the Trust Agreements.

“**Principal Installment**” shall mean, with respect to any Principal Payment Date, the principal amount of Outstanding Bonds due on such date, if any.

“**Principal Payment Date**” means September 2nd of each year commencing on September 2, 2012, and ending on September 2, 2031.

“**Proceeds Fund**” means the fund by that name established pursuant to the Trust Agreements.

“**Purchaser**” means Piper Jaffray & Co. and Stinson Securities, LLC, as underwriters for the Bonds.

“**Reassessment District No. 2011-1**” means the reassessment district established by action of the City Council of the City on August 1, 2011, pursuant to the Act.

“**Reassessment Installments**” means that annual installments posted to the property tax roll of Contra Costa County on account of unpaid reassessments of Reassessment District No. 2011-1.

“**Reassessment Prepayments**” means that portion of Revenues which are paid to the City by or on behalf of the owner of a parcel subject to the reassessment obligation to accomplish a reduction or a pay-off of the reassessment obligation pertaining to such parcel and the partial or full discharge of the reassessment lien respecting such parcel (except the portion thereof, if any, which represents accrued interest on the Local Obligations).

“**Reassessment Revenues**” means all monies collected and received by the City on account of (a) the 2011-2012 installments billed on account of the respective assessments and reassessments securing the Refunded Bonds, (b) Reassessment Installments, (c) amounts, if any, collected via direct billing by the City, (d) Reassessment Prepayments, (e) reinstatement of delinquent Reassessment Installments and (f) amounts received by the City as a result of superior court foreclosure proceedings brought to enforce payment of delinquent Reassessment Installments, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys’ fees and costs paid as a result of foreclosure actions.

“**Rebate Fund**” means the fund by that name established pursuant to the Trust Agreements.

“**Rebate Instructions**” means the calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate.

**“Rebate Requirement”** means the Rebate Requirement defined in the Tax Certificate.

**“Record Date”** means the fifteenth (15th) day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

**“Redemption Fund”** means the fund by that name established pursuant to the Trust Agreements.

**“Refunded Bonds”** means the remaining Outstanding bonds of the following issues, namely (1) Refunded 1998 Reassessment Revenue Bonds (Series A and Subordinated Series B), (2) Refunded Marina Walk Bonds (3) Refunded Oak Hills Bonds and (4) Refunded San Marco (Phase I) Bonds.

**“Refunded 1998 Reassessment Revenue Bonds (Series A and Subordinated Series B)”** means (a) the Outstanding Authority 1998 Reassessment Revenue Bonds, Series A, issued in the aggregate principal amount of \$6,610,000 pursuant to a Trust Agreement, dated as of June 1, 1998, by and among the Authority, the City and U.S. Bank Trust National Association, as trustee, and (b) the Outstanding Authority 1998 Reassessment Revenue Bonds, Subordinated Series B, issued in the aggregate principal amount of \$6,290,000 pursuant to a Trust Agreement, dated as of June 1, 1998, by and among the Authority, the City and U.S. Bank Trust National Association, as trustee.

**“Refunded Local Obligations”** means the remaining outstanding Limited Obligation Refunding Bonds of the City of Pittsburg Reassessment District No. 1998-1.

**“Refunded Marina Walk Bonds”** means the remaining outstanding Limited Obligation Improvement Bonds of the City of Pittsburg Marina Walk Assessment District No. 98-01.

**“Refunded Oak Hills Bonds”** means the remaining outstanding Limited Obligation Improvement Bonds of the City of Pittsburg Oak Hills South Units 5, 6 and 7 Assessment District No. 2001-02.

**“Refunded San Marco (Phase I) Bonds”** means the remaining outstanding Limited Obligation Improvement Bonds of the City of Pittsburg San Marco Phase I Assessment District No. 2001-01.

**“Refunding Escrow Agreements”** means the Refunding Escrow Agreements, dated as of August 1, 2011, among the City, the Authority and the Escrow Agent, providing for the redemption on September 2, 2011, of the Refunded Bonds.

**“Reserve Fund”** means the fund by that name established pursuant to the Trust Agreements.

**“Reserve Requirement”** means, with respect to the Series A Bonds or the Series B Bonds, as the case may be, as of any date of calculation, the lesser of (i) Maximum Annual Debt Service on the Series A Bonds or Series B Bonds, (ii) 125% of average Annual Debt Service on the Series A Bonds or Series B Bonds, or (iii) 10% of the outstanding principal amount of on the Series A Bonds or Series B Bonds, which amount shall be reduced in the event of a partial redemption of the Series A Bonds or Series B Bonds pursuant to a Written Order delivered to the Series A Trustee or Series B Trustee pursuant to the applicable Trust Agreement.

**“Revenue Fund”** means the fund by that name established pursuant to the Trust Agreements.

**“Revenues”** means all amounts received by the Series A Trustee, as the payment of interest or premiums on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments of debt service on the Local Obligations or as a result of remedial proceedings taken in the event of a default on the Local Obligations or as a result of Reassessment Prepayments, and all investment earnings on any moneys held in the Funds established under the Series A Trust Agreement and the Series B Trust Agreement, except the Rebate Fund.

“**Secretary**” means the Secretary of the Authority.

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

“**Series A Bonds**” means the Series A Bonds authorized, issued and delivered pursuant to the Series A Trust Agreement.

“**Series A Percentage**” means a fraction, the numerator of which is the aggregate amount of Series A Bonds Outstanding and the denominator of which is the aggregate amount of Series A Bonds and Series B Bonds Outstanding.

“**Series A Trust Agreement**” means the trust agreement executed and entered into as of August 1, 2011, by and among the Authority, the City and the Series A Trustee, pursuant to which the Series A Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“**Series A Trustee**” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, in its capacity as trustee under the Series A Trust Agreement, and any successor as trustee under the Series A Trust Agreement.

“**Series A Trust Estate**” has the meaning ascribed thereto in the granting clause of the Series A Trust Agreement.

“**Series B Bonds**” means the Series B Bonds authorized and issued by the Authority and authenticated and delivered by the Series B Trustee under the Series B Trust Agreement, which are secured by a pledge of Subordinated Revenues which is and shall be subordinate to the pledge of Revenues which secures the Series A Bonds.

“**Series B Percentage**” means a fraction, the numerator of which is the aggregate amount of Series B Bonds Outstanding and the denominator of which is the aggregate amount of Series A Bonds and Series B Bonds Outstanding.

“**Series B Trust Agreement**” means the trust agreement entered into as of August 1, 2011, by and among the Authority, the City and the Series B Trustee, pursuant to which the Series B Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“**Series B Trustee**” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, in its capacity as trustee under the Series B Trust Agreement, and any successor as trustee under the Series B Trust Agreement.

“**Series B Trust Estate**” has the meaning ascribed thereto in the granting clause of the Series B Trust Agreement.

“**Special Record Date**” means the date established by the Trustee pursuant to the Trust Agreements as a record date for the payment of defaulted interest on the Bonds.

“**S&P**” 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

shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority with the written approval of the Insurer.

“**State**” means the State of California.

“**Subordinated Revenue Fund**” means the fund by that name established pursuant to the Series B Trust Agreement.

“**Subordinated Revenues**” means all Revenues transferred from the Revenue Fund to the Subordinated Revenue Fund pursuant to the Series A Trust Agreement.

“**Supplemental Trust Agreement**” means any trust agreement supplemental to or amendatory of the Series A Trust Agreement or the Series B Trust Agreement which is duly executed and delivered in accordance with the provisions of the Trust Agreements.

“**Tax Certificate**” means that certificate, relating to various federal tax requirements, including the requirements of Section 148 of the Code, signed by the Authority on the date the Bonds are issued, as the same may be amended or supplemented in accordance with its terms.

“**Treasurer**” means the Treasurer/Controller of the Authority.

“**Trust Agreements**” means the Series A Trust Agreement and the Series B Trust Agreement.

“**Trust Estate**” means the Series A Trust Estate.

“**Trustee**” means either the Series A Trustee or the Series B Trustee as the case may be.

“**1998 Trustee**” means the Trustee, in its capacity as trustee under the two respective trust agreements, each dated as of June 1, 1998, and pertaining to the Refunded 1998 Reassessment Revenue Bonds (Series A and Subordinated Series B).

“**Vice-Chair**” means the Vice-Chair of the Authority.

“**Written Order,**” when used with reference to the Authority, means a written direction of the Authority to the Trustee signed by an Authorized Officer, and when used with reference to the City, means a written direction of the City to the Trustee signed by an Authorized Officer.

## II. Series A Trust Agreement

### REVENUES AND FUNDS FOR BONDS

Establishment of Funds. There is established with the Series A Trustee, and the Series A Trustee agrees to maintain, the following special trust funds for the Series A Bonds, which the Series A Trustee shall keep separate and apart from all other funds and moneys held by it: the Revenue Fund, the Interest Fund, the Principal Fund, the Expense Fund, the Redemption Fund, the Proceeds Fund, the Reserve Fund, the Local Obligation Fund and the Rebate Fund.

Application of Proceeds of Bonds and Other Funds. Forthwith upon receipt, the Bond Proceeds and other funds received by the Series A Trustee shall be applied by the Series A Trustee as set forth in the Series A Trust Agreement.

Proceeds Fund. Pursuant to the Local Obligations Purchase Contract, the amount of Bond Proceeds transferred by the Series A Trustee to the Escrow Agent in accordance with the provisions of the Series A Trust Agreement

shall be deemed by the City to have been deposited into the Proceeds Fund and applied on the Dated Date to the purchase of the Local Obligations from the City, as provided in a Written Order of the City.

Local Obligation Fund. All Local Obligations acquired by the Series A Trustee pursuant to the Series A Trust Agreement shall be deposited in the Local Obligation Fund, which the Series A Trustee shall establish and maintain.

Revenue Fund. All Revenues received by the Series A Trustee, other than Revenues derived from Reassessment Prepayments shall be deposited by the Series A Trustee into the Revenue Fund. Pursuant to the Series A Trust Agreement, the Series A Trustee shall transfer Revenues from the Revenue Fund, in the amounts specified for the Interest Fund, Principal Fund and Reserve Fund, for deposit in the to the respective funds specified in the Series A Trust Agreement.

(a) Not later than one (1) Business Day prior to each Interest Payment Date and Principal Payment Date on the Series A Bonds, the Series A Trustee shall transfer Revenues from the Revenue Fund, in the amounts specified in the Series A Trust Agreement, for deposit into the respective Funds specified in the Series A Trust Agreement in the order of priority set forth, the requirements of each Fund to be fully satisfied, leaving no deficiencies therein, prior to any deposit into any Fund later in priority.

(b) Annually, on September 15th, commencing on September 15, 2012, the Series A Trustee shall determine the balance, if any, remaining on deposit in the Revenue Fund after making the transfers specified in the Series A Trust Agreement and after making the transfers to the Series B Trustee specified in the Series B Trust Agreement, and shall transfer the amount of such balance to the City, said transfer to be identified as "Revenue Fund Surplus," and the City shall deposit the Revenue Fund Surplus into the Redemption Fund maintained by the City for the Local Obligations (the "Local Obligation Redemption Fund"). No later than the next succeeding Fiscal Year following receipt of any such transfer from the Series A Trustee of Revenue Fund Surplus, the City shall cause the amount thereby deposited into the Local Obligation Redemption Fund to be applied as a credit upon the installments to be billed on account of unpaid reassessments for such Fiscal Year.

Revenues Derived From Reassessment Prepayments.

(a) The Authority and the City acknowledge that the Act requires that amounts received by the City on account of Reassessment Prepayments shall be utilized, in accordance with the Act, for the sole purpose of prior redemption of Local Obligations, and not to pay current, scheduled debt service payments on the Local Obligations. Correspondingly, in order to maintain a proper matching between debt service payments on the Local Obligations and debt service payments on the Series A Bonds, all Revenues received by the Series A Trustee which constitute Reassessment Prepayments when received by the City shall be transferred to the Series A Trustee and shall be utilized by the Series A Trustee pursuant to the extraordinary redemption provisions of the Series A Trust Agreement.

(b) The Authority covenants for the benefit of the Owners that, as to each separate date upon which Series A Bonds and Series B Bonds are to be redeemed from the proceeds of Reassessment Prepayments, the Written Orders of the Authority required pursuant to the Series A Trust Agreement as nearly as possible (taking into account the minimum denominations of such bonds) apply such Reassessment Prepayments to the redemption of Series A Bonds and Series B Bonds in proportion to the Series A Percentage and the Series B Percentage, respectively, and within the Series A Bonds and the Series B Bonds, respectively, the bonds to be redeemed shall be selected in such a way that the ratio of outstanding bonds to originally-issued bonds shall be approximately the same in each annual maturity as nearly as possible, with the bonds to be selected within any annual maturity by lot. For purposes of the foregoing sentence, the scheduled principal amount to be redeemed on a given Principal Payment Date with respect to any Term Bond shall be deemed to constitute an "annual maturity."

(c) All Revenues derived from Reassessment Prepayments received by the Series A Trustee shall be immediately deposited in the Prepayment Account within the Revenue Fund, which account the Series A Trustee

agrees to establish and maintain. An amount equal to the principal amount of Series B Bonds to be redeemed from such Reassessment Prepayments (including any redemption premium thereon) pursuant to the Written Order of the Authority delivered under the Series A Trust Agreement together with an amount equal to the accrued interest on said Series B Bonds to the date of redemption thereof, shall be immediately transferred to the Series B Trustee for deposit in the Series B Redemption Fund under the Series B Trust Agreement. All other amounts on deposit in the Prepayment Account shall be transferred to the Redemption Fund to be used to redeem Series A Bonds pursuant to the provisions of the Series A Trust Agreement.

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

Principal Fund. After satisfying the requirements respecting deposits in the Interest Fund, the Series A Trustee shall deposit in the Principal Fund (i) before each March 2 from the Revenue Fund an amount of Revenues which is equal to one-half of the principal amount of Series A Bonds maturing on the next succeeding September 2nd and (ii) before each September 2 from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Series A Bonds which have matured but which have not been presented for payment), is sufficient to pay the Principal Installments on the Series A Bonds when due on such Principal Payment Date.

Expense Fund. Amounts in the Expense Fund shall be applied by the Series A Trustee to the payment of Expenses upon receipt of a Written Order of the Authority stating the person or party to whom payment is to be made, the amount and purpose of the payment and that the payment is a proper charge against the Expense Fund.

Reserve Fund.

(a) The Trustee shall establish and maintain the Reserve Fund. The Trustee shall deposit in the Reserve Fund on the Closing Date the amount of Bond Proceeds prescribed by the Series A Trust Agreement. Thereafter on each Interest Payment Date, after satisfying the requirements of the foregoing respecting deposits in the Interest Fund and the Principal Fund, the Series A Trustee shall transfer from the Revenue Fund to the Reserve Fund an amount of Revenues necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement.

Except as provided in subsection (b) below, all moneys in the Reserve Fund shall be used and withdrawn by the Series A Trustee solely for the purpose of paying the interest on or the principal or the redemption premiums, if any, of, the Series A Bonds; but solely in the event that insufficient moneys are available in the Interest Fund, the Principal Fund, or the Redemption Fund for such purpose.

(b) Upon any partial redemption of Series A Bonds pursuant to the Series A Trust Agreement, the Series A Trustee shall withdraw an amount from the Reserve Fund equal to the reduction in the Reserve Requirement specified in the Written Order of the Authority delivered to the Series A Trustee in connection with such redemption pursuant to the Series A Trust Agreement and transfer such amount to the Redemption Fund to be applied to the redemption of Series A Bonds in accordance with the Series A Trust Agreement.

(c) Except as provided in the Series A Trust Agreement, the Series A Trustee shall retain in the Reserve Fund all earnings on amounts on deposit therein.

(d) Notwithstanding any other provision, the failure to maintain an amount in the Reserve Fund equal to the Reserve Requirement is not an Event of Default.

(e) Whenever the balance on deposit in the Reserve Fund is sufficient, when combined with any amounts then on deposit in the Interest Fund and the Principal Fund to redeem the remaining Outstanding Series A Bonds, and upon receipt of a Written Order of the Authority that there is no unfunded Rebate Requirement, said balance shall be applied to such redemption and the Reserve Fund shall be closed.

Subordinated Revenue Fund. After making the deposits in the Interest Fund, the Principal Fund and the Reserve Fund as required by the Series A Trust Agreement, the Series A Trustee shall transfer to the Series B Trustee all money remaining in the Revenue Fund for deposit by the Series B Trustee in the Subordinated Revenue Fund.

Redemption Fund.

(a) All money held in or transferred to the Redemption Fund pursuant to the Series A Trust Agreement shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Series A Bonds pursuant to the Series A Trust Agreement.

(b) The Trustee shall use amounts in the Redemption Fund for the payment of the redemption price of Series A Bonds called for redemption pursuant to the Series A Trust Agreement or the purchase price of Series A Bonds purchased pursuant to the Series A Trust Agreement, together with interest to the redemption or purchase date.

Rebate Fund. Trustee agrees to establish and maintain a Fund separate from any other fund established and maintained under the Series A Agreement designated the Rebate Fund. The Trustee shall deposit in the Rebate Fund, from funds made available by the Authority, the Rebate Requirement, all in accordance with Rebate Instructions received from the Authority.

## **SECURITY AND INVESTMENT OF MONEY**

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

Investment of Funds.

(a) So long as the Series A Bonds are Outstanding and there is no default under the Series A Trust Agreement, money on deposit to the credit of the Redemption Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund and all accounts within such Funds (other than amounts invested in Local Obligations) shall, at the request of an Authorized Officer specifying and directing that such investment of such money be made, be invested by the Series A Trustee in Investment Securities having maturities or otherwise providing for availability of money when needed; provided that investments purchase with funds on deposit in the Reserve Fund shall have an average weighted term to maturity not greater than five years (for purposes of such calculation, investments which allow for withdrawals on any Interest Payment Date or any other date at par shall be deemed to have a term to maturity to the first permitted date of withdrawal at par), and money held in the Rebate Fund shall, at the request of an Authorized Officer specifying and directing that such investment of such money be made, be invested by the Series A Trustee in Government Obligations having maturities or otherwise providing for availability of money when needed, and the Series A Trustee shall be entitled to rely on such instructions for purposes of the Series A Trust Agreement. The Trustee shall notify the Authority in writing prior to the date money held hereto will be available for investment, requesting that the Authority deliver to the Series A Trustee written instructions specifying the Investment Securities to be acquired by the Series A Trustee with such money. The Authority, in issuing such written instructions, shall comply with the provisions of the Tax Certificate. In the absence of written instructions from the Authority regarding investment, such money shall be invested in investments described in clause (7) of the definition of Investment Securities. The Trustee may act as principal or agent in the acquisition or disposition of any investments. The City and the Authority acknowledge that to the

extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City or the Authority the right to receive brokerage confirmations of security transactions as they occur, the City and the Authority specifically waive receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the City and the Authority periodic cash transaction statements (at least monthly) which include detail for all investment transactions made by the Series A Trustee, which statements shall include the amount of all brokerage commissions or other fees, whether charged by the Series A Trustee or a third party.

(b) Notwithstanding anything to the contrary contained therein, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund from which such accrued interest was paid. The Trustee shall not be responsible for any losses or consequences of any investment if it follows such instructions in good faith. Notwithstanding anything to the contrary contained therein, the Series A Trustee shall have no obligation or responsibility to determine whether investment in a security is permitted by the laws of the State and the City's Investment Policy, and shall be entitled to assume that any investment it is directed to make is so permitted.

The securities purchased with the money in each Fund shall be deemed a part of such Fund. If at any time it shall become necessary or appropriate that some or all of the securities purchased with the money in any Fund be redeemed or sold in order to raise money necessary to comply with the provisions of the Series A Trust Agreement, the Series A Trustee shall effect such redemption or sale, employing, in the case of a sale, any commercially reasonable method of effecting the same. The Trustee shall not be liable or responsible for any consequences resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized pursuant to the Series A Trust Agreement.

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

(c) All earnings on the investment of the money on deposit in any Fund shall remain a part of such Fund; provided, that in the event the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, then earnings on the investment of money on deposit in the Reserve Fund shall be transferred to the Redemption Fund, said transfer to be made on each March 2nd and September 2nd after the payment of all amounts required to be paid on such dates pursuant to the Series A Trust Agreement.

## **COVENANTS OF THE AUTHORITY AND THE CITY**

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

Enforcement and Amendment of Local Obligations; No Additional Local Obligations. The Authority, the City and the Series A Trustee, subject to the provisions of the Series A Trust Agreement, shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owners.

The Authority, the City and the Series A Trustee may, without the consent of or notice to the Owners of the Series A Bonds or the registered owners of the Series B Bonds, consent to any amendment, change or modification of any Local Obligation that may be required (a) to conform to the provisions of the Series A Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of

curing any ambiguity or inconsistency or formal defect or omission, (c) to add additional rights acquired in accordance with the provisions of such Local Obligation, (d) in connection with any other change therein which is not to the material prejudice of the Series A Trustee, the Owners of the Series A Bonds or the registered owners of the Series B Bonds pursuant to an Opinion of Bond Counsel, or (e) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Local Obligation or the Series A or Series B Bonds from federal income taxes or the exemption of such interest from State personal income taxes.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority, the City nor the Series A Trustee shall consent to any amendment, change or modification of any Local Obligation without the written consent of the registered owners of not less than a majority in aggregate principal amount of Series A Bonds at the time outstanding given and procured as provided in the Series A Trust Agreement. If at any time the Authority and the City, as the case may be, shall request the consent of the Series A Trustee to any such proposed amendment, change or modification of a Local Obligation, the Series A Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by the Series A Trust Agreement and shall request the Series A Trustee to mail notices to the registered owners of the Series A Bonds as provided in the Series A Trust Agreement. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Series A Trustee for inspection by all Owners. Nothing contained in Series A Trust Agreement shall be construed to prevent the Series A Trustee, with the consent of the Authority, the City and the Series A Trustee, from settling a default under any Local Obligation on such terms as the Series A Trustee may determine to be in the best interests of the Owners.

Notwithstanding any other provision of the Trust Agreements, of the Local Obligation Resolution or of the Act, the City shall not issue or cause to be issued any additional bond, note, local obligation or evidence of indebtedness secured by the reassessments securing the Local Obligations.

Further Documents. The Authority covenants that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of the Series A Trust Agreement; provided, that no such instruments or actions shall pledge the faith and credit or the taxing power of the State or any other political subdivision of the State.

Tax Covenants.

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

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

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

cause the Rebate Requirement to be deposited in the Rebate Fund as provided in the Tax Certificate (which is incorporated therein by reference).

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

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

(e) The tax covenants in the Series A Trust Agreement survive the defeasance of the Series A Bonds.

Maintenance of Existence. The Authority shall maintain the existence, powers and authority of the Authority as a joint exercise of powers authority under the laws of the State.

Financial Statements. The Authority shall file with the Series A Trustee within one hundred eighty (180) days of the end of each Fiscal Year a complete, separate financial statement (including a balance sheet and a statement of revenues and expenses) together with the report and opinion of an Accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such Accountant's examination was performed in accordance with generally accepted auditing standards. The Trustee shall have no duty to review or examine such financial statements.

Continuing Disclosure. Pursuant to the Local Obligation Resolution, the City has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority shall have no liability to the Owners of the Series A Bonds or any other person with respect to S.E.C. Rule 15c2-12. Failure of the City or the Series A Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; provided, that any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Local Obligation Resolution.

Redemption Funds for the Local Obligations.

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

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

(c) The City further covenants that, no later than ten (10) Business Days prior to each Interest Payment Date and Principal Payment Date of the Series A Bonds, the City will advance to the Series A Trustee

against payment on the Local Obligations, as assignee of the Authority with respect to the Local Obligations, the interest due on the Local Obligations on such Interest Payment Date and the principal of all Local Obligations maturing on such Principal Payment Date, respectively, and upon receipt by the Series A Trustee, such amounts shall constitute Revenues. The Trustee shall provide written notice to the Authority no later than February 1st and August 1st of each year during which the Series A Bonds remain outstanding specifying the amount of principal and interest on the Local Obligations required to be paid to the Series A Trustee pursuant to the subsection in each such month. The obligation of the City to make payments on the Local Obligations is not conditioned upon the City's receipt of any notice from the Series A Trustee.

## **DEFAULTS AND REMEDIES**

Events of Default. The following shall constitute "Events of Default" under the Series A Trust Agreement:

- (a) if payment of interest on the Series A Bonds shall not be made when due; or
- (b) if payment of any Principal Installment shall not be made when due and payable, whether at maturity, by proceedings for redemption, or otherwise; or
- (c) if the Authority or the City shall fail to observe or perform in any material way any other agreement, condition, covenant or term contained therein on its part to be observed or performed, and such failure shall continue for thirty (30) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority or the City, as the case may be, by the Series A Trustee provided, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the City within the applicable period and diligently pursued until the default is corrected.

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

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

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

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

### Rights of Owners.

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

(b) The Trustee may refuse to follow any direction that conflicts with law or herewith or that the Series A Trustee determines is prejudicial to rights of Owners or would subject the Series A Trustee to personal liability without adequate indemnification therefor.

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

Power of Trustee to Enforce. All rights of action under the Series A Trust Agreement or under any of the Series A Bonds secured by the Series A Trust Agreement which are enforceable by the Series A Trustee may be enforced by it without the possession of any of the Series A Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Series A Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners.

Remedies Not Exclusive. No remedy therein conferred upon or reserved to the Series A Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Series A Trust Agreement or now or hereafter existing at law or in equity or by statute.

Waiver of Events of Default; Effect of Waiver. Upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Series A Bonds the Series A Trustee shall waive any Event of Default and its consequences. If any Event of Default shall have been waived as therein provided, the Series A

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

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

Application of Money. Any money received by the Series A Trustee pursuant to the Series A Trust Agreement shall, after payment of all fees and expenses of the Series A Trustee, and the fees and expenses of its counsel incurred in the performance of its' duties under the Series A Trust Agreement enforcing the rights and remedies of the Owners under the Series A Trust Agreement, be applied as set forth in the Series A Trust Agreement.

## **EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF OF OWNERSHIP OF BONDS**

Execution of Instruments; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor by different parties and may be signed or executed by such Owners in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Series A Bonds shall be sufficient for any purpose of the Series A Trust Agreement and shall be conclusive in favor of the Series A Trustee.

## **SUPPLEMENTAL TRUST AGREEMENTS**

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

Supplemental Trust Agreements without Consent of Owners. The Authority and the City may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which thereafter shall form a part of the Series A Trust Agreement for anyone or more of the purposes set forth in the Series A Trust Agreement.

## **DEFEASANCE**

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

encumbrances as provided in the Series A Trust Agreement and shall execute such documents as may be reasonably required by the Series B Trustee or the Authority or the City in this regard.

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

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

Effect of Defeasance of Series A Bonds on Series B Bonds. In the event that the Series A Bonds are defeased and the obligations hereto are discharged pursuant to the Series A Trust Agreement, the Series A Trustee shall transfer all property and moneys held by the Series A Trustee (including, without limitation, the Local Obligations), as follows:

- (a) If any Series B Bonds remain outstanding, to the Series B Trustee to be applied as provided in the Series B Trust Agreement; or
- (b) If no Series B Bonds remain outstanding, to or upon the order of the Authority.

## **PROVISIONS RELATING TO THE INSURANCE POLICY**

*The Series A Trust Agreement includes provisions summarized under this section, which provisions have been included therein in order to comply with conditions of the Insurer. Please note that, as specified in the Series A Trust Agreement, the provisions summarized under this section shall govern the interpretation and application of the Series A Trust Agreement. The provisions of this summary, and the balance, of the Series A Trust Agreement should be read with that in mind.*

Provisions of Article XIII of the Series A Trust Agreement Shall Govern. Notwithstanding anything to the contrary set forth in the Series A Trust Agreement, the provisions of Article XIII of the Series A Trust Agreement, which provisions are summarized under this section entitled “Provisions Relating to the Insurance Policy” shall govern the interpretation and application of the Series A Trust Agreement.

Prior Written Consent for Deposit of Credit Instrument in Lieu of Cash to the Reserve Fund. The prior written consent of the Insurer shall be a condition precedent to any amendment, if any, of the Series A Trust Agreement to provide for the deposit of any credit instrument in lieu of cash to the Reserve Fund and to any such deposit, if any. Notwithstanding anything to the contrary set forth in the Series A Trust Agreement, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Series A Bonds.

The Insurer Deemed Sole Owner of the Series A Bonds. The Insurer shall be deemed to be the sole Owner of the Series A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Series A Bonds insured by it are entitled to take pursuant to any section or article of the Series A Trust Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Series A Trustee. Remedies granted to the Owners of the Series A Bonds shall expressly include mandamus.

Security for the Series A Bonds Includes Pledge of any Agreement with an Underlying Obligor. The security for the Series A Bonds shall include a pledge of any agreement with any underlying obligor, including but not limited to the Local Obligations, issued by the City and made a part of the Series A Trust Estate, that is a source of

payment for the Series A Bonds, and a default under the Local Obligations shall constitute an Event of Default under the Series A Trust Agreement.

No Acceleration. Pursuant to the Series A Trust Agreement, acceleration of the payment of the principal of all of the Series A Bonds then Outstanding, or the interest thereon, is not permitted as a remedy upon the occurrence of an Event of Default.

Limitations on Any Grace Period. No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

Insurer as Third Party Beneficiary. The Insurer shall be included as a third party beneficiary to the Trust Agreement.

Insurer Approval of Optional and Extraordinary Redemptions. Upon the occurrence of an optional, extraordinary or extraordinary mandatory redemption in part, the selection of Series A Bonds and Series B Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of the Series A Trust Agreement which permits the purchase of Series A Bonds in lieu of redemption shall require the prior written approval of the Insurer if any Series A Bond so purchased is not cancelled upon purchase.

Prior Written Consent of Insurer to Any Amendment of Trust Agreement or Related Document. Any amendment, supplement, modification to, or waiver of, any provision of the Series A Trust Agreement or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Owner of the Series A Bonds or adversely affects the rights and interests of the Insurer, shall be subject to the prior written consent of the Insurer.

No Construction Fund. There is no "Construction Fund" or like fund or account containing any amounts which might be applied to the payment of debt service on the Series A Bonds or to the redemption price of the Series A Bonds in the event of the occurrence of an Event of Default or any event which with notice or lapse of time would constitute an Event of Default.

Nature of Insurer's Rights. The rights granted to the Insurer under the Series A Trust Agreement or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the Series A Bonds, and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners of the Series A Bonds or any other person is required in addition to the consent of the Insurer.

Limitations Upon Defeasance. Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the ownership 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, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated "AAA" and "Ass" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Series A Bonds unless the Insurer otherwise approves in writing.

To accomplish defeasance, the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow (the "Escrow") established to pay the Series A Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer, (iii) an opinion of nationally recognized bond counsel ("Defeasance

Opinion”) to the effect that the Series A Bonds are no longer “Outstanding” under the Series A Trust Agreement and (iv) a certificate of discharge of the Series A Trustee with respect to the Series A Bonds; each Verification and Defeasance Opinion shall be acceptable in form and substance, and shall be addressed, to the Authority, the Series A Trustee and the Insurer. The Insurer shall be provided with final drafts of the above-reference documentation not less than five Business Days prior to the funding of the Escrow.

Series A Bonds shall be deemed “Outstanding” under the Series A Trust Agreement unless and until they are in fact paid and retired or the above criteria are met.

Treatment of Insurer Payments; Series A Bonds Deemed Outstanding. Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Trust Agreement, and the Series A Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Series A Trust Agreement. The Series A Trust Agreement shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Covenant to Preserve Priority of Pledge of Series A Trust Estate. Each of the Authority and the Series A Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to reserve the priority of the pledge of the Series A Trust Estate under applicable law.

Claims Upon the Insurance Policy and Payments by and to the Insurer. If, on the third Business Day prior to the related scheduled Interest Payment Date or Principal Payment Date (each, a “Payment Date”) there is not on deposit with the Series A Trustee, as determined in accordance with the Series A Trust Agreement, after making all transfers and deposits required under the Series A Trust Agreement, moneys sufficient to pay the principal of and interest on the Series A Bonds due on such Payment Date, the Series A Trustee shall give notice to the Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series A Bonds due on such Payment Date, the Series A Trustee shall make a claim under this Insurance Policy and give notice to the Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series A Bonds and the amount required to pay principal of the Series A Bonds, confirmed in writing to the Insurer and the Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Series A Trustee shall designate any portion of payment of principal on Series A Bonds paid by the Insurer, whether by virtue of mandatory partial redemption pursuant to the Series A Trust Agreement, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series A Bonds registered to the then current Owner of the Series A Bonds, whether DTC or its nominee or otherwise, and shall issue a replacement Series A Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the principal so paid (without regard to authorized denominations); provided that the Series A Trustee’s failure to so designate any payment or issue any replacement Series A Bond shall have no effect on the amount of principal or interest payable by the Authority of any Series A Bond or the subrogation rights of the Insurer.

The Series A Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (as said term is defined below) and the allocation of such funds to payment of interest on and principal of any Series A Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Series A Trustee.

Upon payment of a claim under the Insurance Policy, the Series A Trustee shall establish a separate special purpose trust account for the benefit of Owners of the Series A Bonds referred to herein as the “Policy Payments Account” and over which the Series A Trustee shall have exclusive control and sole right of withdrawal. The Series A Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Owners of the

Series A Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Series A Trustee to Owners of the Series A Bonds in the same manner as principal and interest payments are to be made with respect to the Series A Bonds under the sections of the Series A Trust Agreement regarding payment of Series A Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Notwithstanding anything herein to the contrary, the Authority agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the “Insurer Advances”); and (ii) interest on such Insurer advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the “Insurer Reimbursement Amounts”). “Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series A Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with debt service due on the Series A Bonds.

Funds held in the Policy Payments Account shall not be invested by the Series A Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Series A Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Insurer.

Subrogation to Rights of Recipients. The Insurer shall, to the extent it makes any payment of principal or interest on the Series A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Authority to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

Reimbursement of Insurer. The Authority shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document, (ii) the pursuit of any remedies under the Series A Trust Agreement or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Trust Agreement or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Series A Trust Agreement or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect to the Series A Trust Agreement or any other Related Document.

Application of Funds Realized Upon Default. After payment of reasonable expenses of the Series A Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Series A Bonds and amounts required to restore the Reserve Fund to the Reserve Requirement.

Entitlement of Insurer to Pay Principal of or Interest on the Series A Bonds. The Insurer shall be entitled to pay principal of or interest on the Series A Bonds that shall become “Due for Payment” (as said term is defined in the Insurance Policy) but shall be unpaid by reason of “Nonpayment by the Issuer” (as said term is defined in the Insurance Policy) and any amounts due on the Series A Bonds as a result of acceleration thereof in accordance with the Series A Trust Agreement, whether or not the Insurer has received a “Notice of Nonpayment” (as said term is defined in the Insurance Policy) or a claim upon the Insurance Policy.

Notice Address of Insurer. The notice address of the Insurer is: Assured Guaranty Municipal Corp., 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. \_\_\_\_\_, Telephone (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication

refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

Information to be Provided to the Insurer. The Insurer shall be provided with the following information by the Authority or the Series A Trustee, as the case may be:

- (i) Annual audited financial statements within 150 days after the end of the City’s Fiscal Year (together with a certification of the Authority that it is not aware of any default or Event of Default under the Series A Trust Agreement), and the City’s annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;
- (ii) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (a) withdrawals of amounts in excess of the Reserve Requirement and (b) withdrawals in connection with a refunding of Series A Bonds;
- (iii) Notice of any default known to the Series A Trustee or Authority within five business days after knowledge thereof;
- (iv) Prior notice of the advance refunding or redemption of any of the Series A Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (v) Notice of the resignation or removal of the Series A Trustee and bond registrar and the appointment of, and acceptance of duties by, any successor thereto;
- (vi) Notice of the commencement of any proceeding by or against the Authority commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”);
- (vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series A Bonds;
- (viii) A full original transcript of all proceedings relating to the execution of any amendment of, supplement to, or waiver of the Related Documents;
- (ix) All reports, notices and correspondence to be delivered to Owners of the Series A Bonds under the terms of the Related Documents; and
- (x) All information furnished pursuant to the Continuing Disclosure Agreement, to be provided to the Insurer simultaneously with the furnishing of such information to any other recipient, as provided by the Continuing Disclosure Agreement.

Additional Information to Insurer. The Insurer shall have the right to receive such additional information as it may reasonably request.

Reasonable Access to Information for Insurer. The Authority and the City will permit the Insurer to discuss the affairs, finances and accounts of the Authority or the City or any information the Insurer may reasonably request regarding the security for the Series A Bonds with appropriate officers of the Authority or the City and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Authority and the City on any Business Day upon reasonable prior notice.

Series A Trustee Notification to Insurer. The Series A Trustee shall notify the Insurer of any failure of the Authority to provide notices, certificates and other information under the transaction documents.

No Authority for Issuance of Additional Series A Bonds. The Authority and the City expressly represent to the Insurer that the Series A Trust Agreement does not authorize the issuance of “Additional Bonds” (defined to mean additional obligations secured by a pledge of Revenues on a parity with the pledge of Revenues which secures the Series A Bonds), and the Authority and the City hereby covenant for the benefit of the Insurer that no amendment of the Series A Trust Agreement shall be made to authorize the issuance of Additional Bonds without the express prior written consent of the Insurer.

Standard for Determining Permissible Amendments to the Series A Trust Agreement and Other Actions or Inactions Without Consent of Owners of the Series A Bonds. In determining whether any proposed amendment to the Series A Trust Agreement may be made without the consent of Owners of the Series A Bonds as authorized by the Series A Trust Agreement, and in determining whether any proposed consent, waiver or other action to be taken, or any failure to take action, under the Series A Trust Agreement would adversely affect the security for the Series A Bonds or the rights of the Owners of the Series A Bonds, the Series A Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

Actions Precluded Which May Impair or Prejudice Rights of Insurer or Security for Payment on the Series A Bonds. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Series A Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Conditions Upon Issuance of the Series A Bonds for Refunding Purposes. Since the Series A Bonds are issued for refunding purposes, there shall be delivered to the Insurer an Opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto), or a certificate of discharge of the trustee for the Refunded Bonds, to the effect that, upon the making of the required deposits to the respective refunding escrows, as provided by the Series A Trust Agreement, the legal defeasance of the Refunded Bonds shall have occurred. An executed copy of such Opinion of Bond Counsel addressed and reliance letter shall be forwarded to the Insurer prior to delivery of the Series A Bonds.

None of the Refunded Bonds are insured by Assured Guaranty Municipal Corp.

Requirements for any Interest Rate Exchange Agreement. Any interest rate exchange agreement (“Swap Agreement”) entered into by the Authority shall meet the following conditions:

- (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against:
  - (a) assets then held, or
  - (b) debt then outstanding; or
  - (c) debt reasonably expected to be issued within the next twelve (12) months; and
- (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component.

Unless otherwise consented to in writing by the Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Series A Bonds and on any debt on parity with the Series A Bonds. The Authority shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the Authority to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least “A-” and “A3” by S&P and Moody’s. If the counterparty or guarantor’s rating falls below “A-” or “A3” by either S&P or Moody’s, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the guarantor’s long term unsecured rating

falls below “Baa1” or “BBB+” by either Moody’s or S&P, a replacement counterparty or guarantor, acceptable to the Insurer, shall be required.

## **MISCELLANEOUS**

Parties Interested in the Series A Trust Agreement. Except as otherwise specifically provided therein, nothing contained therein, expressed or implied, is intended or shall be construed to confer upon any Person other than the Authority, the City, the Series A Trustee, the Series B Trustee, the Owners of the Series A Bonds and the Series B Bonds any right, remedy or claim under or by reason of the Series A Trust Agreement, the Series B Trust Agreement being intended to be for the sole and exclusive benefit of the Authority, the City, the Series A Trustee, the Series B Trustee, the Owners of the Series A Bonds and the Series B Bonds.

Limitation of Liability. The Authority is not obligated to make any payments required under the Series A Trust Agreement or under any Series A Bond, or be deemed to incur any liability under the Series A Trust Agreement or arising out of any of the transactions contemplated by the Series A Trust Agreement, payable from any funds or assets other than the Series A Trust Estate as provided in the Series A Trust Agreement.

Unclaimed Money. Anything contained in the Series A Trust Agreement to the contrary notwithstanding, any money held by the Series A Trustee in trust for the payment and discharge of the interest on, or principal or redemption premiums, if any, of any Series A Bond which remains unclaimed for two (2) years after the date when such amounts have become payable, if such money was held by the Series A Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Series A Trustee after the date such amounts have become payable, shall be paid by the Series A Trustee to the Authority as its absolute property free from trust, and the Series A Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such amounts; provided, that before being required to make any such payment to the Authority, the Series A Trustee shall, at the expense of the Authority, give notice by first class mail to all Owners and to those Securities Depositories and Information Services selected by it that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Authority.

### **III. Subordinated Series B Trust Agreement**

#### **REVENUES AND FUNDS FOR BONDS**

Establishment of Funds. There is established with the Series B Trustee, and the Series B Trustee agrees to maintain, the following special trust funds for the Series B Bonds, which the Series B Trustee shall keep separate and apart from all other funds and moneys held by it: the Subordinated Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Proceeds Fund, the Reserve Fund and the Rebate Fund.

Application of Proceeds of Bonds and Other Funds. Forthwith upon receipt, the Bond Proceeds and other funds received by the Series B Trustee shall be applied by the Series B Trustee as set forth in the Series B Trust Agreement.

Proceeds Fund. Pursuant to the Local Obligations Purchase Contract, the amount of Bond Proceeds transferred by the Series B Trustee to the Escrow Agent in accordance with the provisions of the Series B Trust Agreement shall be deemed by the City to have been deposited into the Proceeds Fund and applied on the Dated Date to the purchase of the Local Obligations from the City, as provided in a Written Order of the City.

Subordinated Revenue Fund. All Subordinated Revenues received by the Series B Trustee, other than Subordinated Revenues derived from Reassessment Prepayments, shall be deposited by the Series B Trustee into the Subordinated Revenue Fund. Pursuant to the Series B Trust Agreement, the Series B Trustee shall transfer Subordinated Revenues from the Subordinated Revenue Fund for deposit into the respective Funds specified therein in the order of priority set forth, the requirements of each Fund to be fully satisfied, leaving no deficiencies

therein, prior to any deposit into any Fund later in priority. After making all such transfers, any amount remaining in the Subordinated Revenue Fund shall be transferred to City for deposit in the Local Obligation Redemption Fund and applied as a credit on the Reassessment installments.

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

Principal Fund. After satisfying the requirements respecting deposits in the Interest Fund, the Series B Trustee shall deposit in the Principal Fund (i) before each March 2nd from the Revenue Fund an amount of Revenues which is equal to one-half of the principal amount of Series B Bonds maturing on the next succeeding September 2nd and (ii) before each September 2nd from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Series B Bonds which have matured but which have not been presented for payment), is sufficient to pay the Principal Installments on the Series B Bonds when due on such Principal Payment Date.

Reserve Fund.

(a) The Trustee shall establish and maintain the Reserve Fund. The Trustee shall deposit in the Reserve Fund on the Closing Date the amount of Bond Proceeds prescribed by the Series B Trust Agreement. Thereafter on each Interest Payment Date, after satisfying the requirements of the foregoing respecting deposits in the Interest Fund and the Principal Fund, the Series B Trustee shall transfer from the Revenue Fund to the Reserve Fund an amount of Revenues necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement.

Except as provided in subsection (b) below, all moneys in the Reserve Fund shall be used and withdrawn by the Series B Trustee solely for the purpose of paying the interest on or the principal or the redemption premiums, if any, of, the Series B Bonds; but solely in the event that insufficient moneys are available in the Interest Fund, the Principal Fund, or the Redemption Fund for such purpose.

(b) Upon any partial redemption of Series B Bonds pursuant to the Series B Trust Agreement, the Series B Trustee shall withdraw an amount from the Reserve Fund equal to the reduction in the Reserve Requirement specified in the Written Order of the Authority delivered to the Series B Trustee in connection with such redemption pursuant to the Series B Trust Agreement and transfer such amount to the Redemption Fund to be applied to the redemption of Series B Bonds in accordance with the Series B Trust Agreement.

(c) Except as provided in the Series B Trust Agreement, the Series B Trustee shall retain in the Reserve Fund all earnings on amounts on deposit therein.

(d) Failure to maintain an amount in the Reserve Fund equal to the Reserve Requirement is not an Event of Default.

(e) Whenever the balance on deposit in the Reserve Fund is sufficient, when combined with any amounts then on deposit in the Interest Fund and the Principal Fund to redeem the remaining Outstanding Series B Bonds, and upon receipt of a Written Order of the Authority that there is no unfunded Rebate Requirement, said balance shall be applied to such redemption and the Reserve Fund shall be closed.

Redemption Fund. All money held in or transferred to the Redemption Fund pursuant to the Series B Trust Agreement shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Series B Bonds pursuant to the Series B Trust Agreement.

Rebate Fund. Trustee agrees to establish and maintain a Fund separate from any other fund established and maintained under the Series B Agreement designated the Rebate Fund. The Trustee shall deposit in the Rebate Fund, from funds made available by the Authority, the Rebate Requirement, all in accordance with Rebate Instructions received from the Authority.

## **SECURITY AND INVESTMENT OF MONEY**

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

### Investment of Funds.

(a) So long as the Series B Bonds are Outstanding and there is no default under the Series B. Trust Agreement, money on deposit to the credit of the Subordinated Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund and the Redemption Fund and all accounts within such Funds shall, at the request of an Authorized Officer specifying and directing that such investment of such money be made, be invested by the Series B Trustee in Investment Securities having maturities or otherwise providing for availability of money when needed for purposes of the Series B Trust Agreement, and money held in the Rebate Fund shall, at the request of an Authorized Officer specifying and directing that such investment of such money be made, be invested by the Series B Trustee in Government Obligations having maturities or otherwise providing for availability of money when needed for purposes of the Series B Trust Agreement.

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

(c) The securities purchased with the money in each Fund shall be deemed a part of such Fund. If at any time it shall become necessary or appropriate that some or all of the securities purchased with the money in any Fund be redeemed or sold in order to raise money necessary to comply with the provisions of the Series B Trust Agreement, the Series B Trustee shall effect such redemption or sale, employing, in the case of a sale, any commercially reasonable method of effecting the same.

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

All earnings on the investment of the money on deposit in any Fund shall remain a part of such Fund; provided, that in the event the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, then earnings on the investment of money on deposit in the Reserve Fund shall be transferred to the Series A Trustee for deposit in the Redemption Fund, said transfer to be made not less than semiannually.

## COVENANTS OF THE AUTHORITY AND THE CITY

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

Enforcement and Amendment of Local Obligations. The Authority, the City and the Series B Trustee, subject to the provisions of the Series B Trust Agreement, shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owners.

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority, the City nor the Series B Trustee shall consent to any amendment, change or modification of any Local Obligation without the written consent of the registered owners of not less than a majority in aggregate principal amount of Series B Bonds at the time outstanding given and procured as provided in the Series B Trust Agreement and the registered owners of not less than a majority in aggregate principal amount of Series A Bonds at the time outstanding given and procured as provided in the Series A Trust Agreement. If at any time the Authority and the City, as the case may be, shall request the consent of the Series B Trustee to any such proposed amendment, change or modification of a Local Obligation, the Series B Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by the Series B Trust Agreement and shall request the Series A Trustee to mail notices to the registered owners of the Series A Bonds as provided in the Series A Trust Agreement. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Series B Trustee for inspection by all Owners. Nothing contained in the Series B Trust Agreement shall be construed to prevent the Series B Trustee, with the consent of the Authority, the City and the Series A Trustee, from settling a default under any Local Obligation on such terms as the Series B Trustee may determine to be in the best interests of the Owners.

Further Documents. The Authority covenants that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of the Series B Trust Agreement; provided, that no such instruments or actions shall pledge the faith and credit or the taxing power of the State or any other political subdivision of the State.

### Tax Covenants.

(a) The Authority and the City will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Series B Bonds under Section 103 of the Code. The Authority and the City will not directly or indirectly use or permit the use of any proceeds of the Series B Bonds or any other funds of the Authority or take or omit to take any action that would cause the Series B Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code or

obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code. The Authority will not allow ten percent (10%) or more of the proceeds of the Series B Bonds to be used in the trade or business of any nongovernmental units and will not lend five percent (5%) or more of the proceeds of the Series B Bonds to any nongovernmental units.

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

(c) The Authority will pay or cause to be paid the Rebate Requirement as provided in the Tax Certificate. This covenant shall survive payment in full or defeasance of the Series B Bonds. The Authority will cause the Rebate Requirement to be deposited in the Rebate Fund as provided in the Tax Certificate (which is incorporated therein by reference).

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

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

(e) The tax covenants in the Series B Trust Agreement survive the defeasance of the Series B Bonds.

Maintenance of Existence. The Authority shall maintain the existence, powers and authority of the Authority as a joint exercise of powers authority under the laws of the State.

Financial Statements. The Authority shall file with the Series B Trustee within one hundred eighty (180) days of the end of each Fiscal Year a complete, separate financial statement (including a balance sheet and a statement of revenues and expenses) together with the report and opinion of an Accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such Accountant’s examination was performed in accordance with generally accepted auditing standards. The Trustee shall have no duty to review or examine such financial statements.

Continuing Disclosure. Pursuant to the Local Obligation Resolution, the City has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority shall have no liability to the Owners of the Series B Bonds or any other person with respect to S.E.C. Rule 15c2-12. Failure of the City or the Series B Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; provided, that any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Local Obligation Resolution.

## **DEFAULTS AND REMEDIES**

Events of Default. The following shall constitute “Events of Default” under the Series B Trust Agreement:

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

Proceedings by Trustee; No Acceleration. Upon the happening and continuance of any Event of Default the Series B Trustee in its discretion may do the following:

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

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

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

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

Restriction on Owner's Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Series B Trust Agreement, no Owner of any of the Series B Bonds shall have any right to institute any suit, action or proceeding in equity or at

law for the enforcement of any trust under the Series B Trust Agreement, or any other remedy under the Series B Trust Agreement or on the Series B Bonds, except as provided in the Series B Trust Agreement.

Power or Trustee to Enforce. All rights of action under the Series B Trust Agreement or under any of the Series B Bonds secured by the Series B Trust Agreement which are enforceable by the Series B Trustee may be enforced by it without the possession of any of the Series B Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Series B Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners subject to the provisions of the Series B Trust Agreement.

Remedies Not Exclusive. No remedy in the Series B Trust Agreement conferred upon or reserved to the Series B Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Series B Trust Agreement.

Waiver of Events of Default; Effect of Waiver. Upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Series B Bonds the Series B Trustee shall waive any Event of Default under the Series B Trust Agreement and its consequences at any time. If any Event of Default shall have been waived as in the Series B Trust Agreement provided, the Series B Trustee shall promptly give written notice of such waiver to the Authority and the City and shall give notice thereof by first class mail, postage prepaid, to all Owners of Outstanding Series B Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

Application of Money. Any money received by the Series B Trustee pursuant to the Series B Trust Agreement shall, after payment of all fees and expenses of the Series B Trustee, and the fees and expenses of its counsel incurred in the performance of its' duties under the Series B Trust Agreement enforcing the rights and remedies of the Owners under the Series B Trust Agreement, be applied pursuant to the Series B Trust Agreement.

## **EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF OF OWNERSHIP OF BONDS**

Execution of Instruments; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted by the Series B Trust Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor by different parties and may be signed or executed by such Owners in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Series B Bonds shall be sufficient for any purpose of the Series B Trust Agreement and shall be conclusive in favor of the Series B Trustee.

## **SUPPLEMENTAL TRUST AGREEMENTS**

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

Supplemental Trust Agreements without Consent of Owners. The Authority and the City may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which

thereafter shall form a part of the Series B Trust Agreement for purposes as set for the in the Series B Trust Agreement for anyone or more of the purposes set forth in the Series B Trust Agreement.

## **DEFEASANCE**

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

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

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

Effect of Defeasance of Series A Bonds on Series B Bonds. In the event that the Series B Bonds are defeased and the obligations are discharged pursuant to the Series B Trust Agreement, the Series B Trustee shall transfer all property and moneys held by the Series B Trustee (including, without limitation, the Local Obligations), as follows:

(a) If any Series A Bonds remain outstanding, to the Series A Trustee to be applied as provided in the Series A Trust Agreement; or

(b) If no Series A Bonds remain outstanding, to or upon the order of the Authority.

## **MISCELLANEOUS**

Parties Interested in the Series B Trust Agreement. Except as otherwise specifically provided therein, nothing contained in the Series B Trust Agreement, expressed or implied, is intended or shall be construed to confer upon any Person other than the Authority, the City, the Series A Trustee, the Series B Trustee and the Owners of the Series A Bonds and the Series B Bonds any right, remedy or claim under or by reason of the Series B Trust Agreement. The Series B Trust Agreement is intended to be for the sole and exclusive benefit of the Authority, the City, the Series A Trustee, the Series B Trustee and the Owners of the Series A Bonds and the Series B Bonds.

Limitation of Liability. The Authority is not obligated to make any payments required under the Series B Trust Agreement or under any Series B Bond, or be deemed to incur any liability or by reason or arising out of any of the transactions contemplated under the Series B Trust Agreement, payable from any funds or assets other than the Series B Trust Estate as provided in the Series B Trust Agreement.

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

#### IV. Summary of the Local Obligation Resolution

On August 1, 2011, the City Council of the City of Pittsburg (the “**Local Agency**”) adopted (a) its resolution declaring intention to undertake reassessment proceedings and to issue limited obligation refunding bonds by summary proceedings without notice and hearing and (b) its resolution authorizing issuance ( the “**Local Obligation Resolution**”) of the Pittsburg Infrastructure Financing Authority Revenue Refunding Bonds, Series A and Subordinated Series B (the “**Refunding Bonds**”) for the purpose of refunding the unmatured portions of the following bonds:

1. Limited Obligation Improvement Bonds, City of Pittsburg Marina Walk Assessment District No. 1998-01;
2. Limited Obligation Improvement Bonds, City of Pittsburg San Marco Phase I Assessment District No. 2001-01;
3. Limited Obligation Improvement Bonds, City of Pittsburg Oak Hills South Units 5, 6 and 7 Assessment District No. 2001-02; and
4. Pittsburg Infrastructure Financing Authority 1998 Reassessment Revenue Bonds, Series A and Subordinated Series B;

(collectively, the “**Prior Bonds**”), under and pursuant to the conditions and terms of the Refunding Act of 1984 for 1915 Improvement act Bonds, being Division 11.5 of the California Streets and Highways Code (the “**1984 Act**”) by providing for the levy and collection of reassessments as security for the Refunding Bonds.

City Council has established its Reassessment District No. 2011-1 (the “**2011 Reassessment District**”) and has levied new reassessments (the “**2011 Reassessments**”) upon the respective parcels of land having unpaid prior assessments and prior reassessments in accordance with the provisions of the 1984 Act.

The Local Obligations shall represent and shall be issued upon the security of the 2011 Reassessments in accordance with the provisions of the 1984 Act to provide funds for refunding the Prior Bonds. The Local Obligations shall be issued as hereinafter set forth and shall be known as the “City of Pittsburg Limited Obligation Refunding Bonds, Reassessment District No. 2011-1.” The Local Obligations shall be issued as fully registered bonds, shall be of the denomination of \$1.00 or any integral multiple of \$1.00, as shall be provided by the Local Obligation Purchase Contract (but not exceeding the principal amount of Local Obligations maturing at any one time), shall be dated their date of delivery, and shall mature and bear interest as shall be provided in the Local Obligation Purchase Contract; provided that, for the period during which the Local Obligations are held by the Trustee as assets of the Series A Trust Estate, the denominations of the Local Obligations may be established in such different amount or amounts as may be prescribed by the Authority in writing to the Trustee, and the entire issue of the Local Obligations may be represented by a single fully registered bond with principal amounts payable annually as mandatory partial redemptions of such single bond, with the principal amounts thusly made payable being structured to provide for annual debt service on the Local Obligations which corresponds as nearly as may be practicable to the annual debt service on the 2011 Refunding Bonds.

The Local Obligations shall bear interest from the interest payment date next preceding the date of authentication and registration thereof, unless such date of authentication and registration is on a day during the

period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both inclusive, in which event they shall bear interest from such interest payment date, or unless such date of authentication and registration is on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date, in which event they shall bear interest from their dated date. Such interest shall be payable on March 2, 2012 and thereafter semiannually on March 2nd and September 2nd of each year until and at the respective maturity dates of the Local Obligations.

The principal of and the interest on and redemption premiums, if any, on the Local Obligations shall be payable in lawful money of the United States of America at the office of the City Finance Director (the "Finance Director's Office") of the City (the "Paying Agent"). The term "Finance Director's Office", as used in the resolution, means the office of the Paying Agent at Pittsburg City Hall, 65 Civic Avenue, Pittsburg, California 94565, or such other address as is designated by the Paying Agent in written notice filed with the Trustee and the owners of the Local Obligations if different from the Trustee. Payment of the interest on the Local Obligations due on or before the maturity or prior redemption thereof shall be made by check mailed to the registered owners of the Local Obligations or by wire transfer to any registered owner of \$1,000,000 or more in aggregate principal amount of the Local Obligations at their addresses as they appear at the close of business as of the fifteenth (15th) day of the month prior to each such interest payment date on the registration books maintained by the Paying Agent, and payment of the principal of and redemption premiums, if any, on the Local Obligations shall be made only upon surrender thereof by the registered owners thereof on their maturity dates or on redemption prior to maturity to the Paying Agent at the Finance Director's Office as defined above in the Local Obligation Resolution; provided that for the period during which the Local Obligations constitute assets of the Series A Trust Estate, payment of the principal of and the interest and redemption premiums, if any, on the Local Obligations may be made by the City by wire transfer directly to the Trustee or in such other manner as best suits the needs of the Refunding Program as determined by the Trustee in its sole discretion.

Initially and for the period during which the Local Obligations remain assets of the Series A Trust Estate, the Local Obligations shall be registered to the Trustee, and shall be executed and delivered as serial bonds, term bonds or any combination thereof, as shall be prescribed by the Local Obligation Purchase Contract; and thereafter, such Local Obligations shall be transferrable pursuant to the Local Obligation Resolution.

The City and the Paying Agent shall be entitled to treat the person in whose name any such Local Obligation is registered as the owner thereof for all purposes of the Local Obligation Resolution and any applicable laws, notwithstanding any notice to the contrary received by the Paying Agent or the City; and the City and the Paying Agent shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any persons other than the registered owners of such Local Obligations; and neither the City nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to any other party, except the registered owner of any such Local Obligations.

In the event that the Local Obligations cease to be assets of the Series A Trust Estate for any reason, the Local Obligations may become book-entry bonds and in such event shall then be registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York, and in such event shall be issued as one Local Obligation for each of the maturities of the Local Obligations.

The Paying Agent shall pay interest on the Local Obligations due on or before the maturity or prior redemption thereof to the registered owners thereof as their names appear at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date on the registration books required to be kept by the Paying Agent pursuant to the Local Obligation Resolution as the registered owners thereof, such interest to be paid by check mailed to such registered owners or by wire transfer to any registered owner of \$1,000,000 or more in aggregate principal amount of the Local Obligations at their addresses as they appear at the close of business as of the fifteenth (15th) day of the month prior to each such interest payment date on the registration books maintained by the Paying Agent or at such other addresses as they may have filed in writing with the Paying Agent for that purpose, and to pay to such registered owners the principal of and redemption premiums, if any, on the Local Obligations upon presentation and surrender of the Local Obligations to the Paying Agent at the Corporate Trust Office of the Paying Agent as defined in the Local Obligation Resolution.

The Paying Agent will keep at the Paying Agent's Corporate Trust Office sufficient books for the registration, transfer and exchange of the Local Obligations, and upon presentation for such purpose the Paying Agent shall, under such reasonable regulations as he may prescribe, register or transfer or exchange Local Obligations on such books as hereinafter provided.

Any Local Obligation may be transferred or exchanged on such books by the registered owner thereof, in person or by his duly authorized attorney, upon payment by the person requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Local Obligation for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Paying Agent. Whenever any Local Obligation or Local Obligations shall be surrendered for transfer or exchange, the City shall execute and the Paying Agent shall authenticate and deliver a new Local Obligation or Local Obligations of authorized denominations and of the same maturity date aggregating the principal amount of the Local Obligation or Local Obligations so surrendered. The City and the Paying Agent may deem and treat the registered owner of any Local Obligation as the absolute owner of such Local Obligation for the purpose of receiving payment thereof and for all other purposes, whether such Local Obligation shall be overdue or not, and neither the City nor the Paying Agent shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Local Obligation shall be made only to such registered owner as above provided, which payment shall be valid and effectual to satisfy and discharge liability on such Local Obligation to the extent of the sum or sums so paid.

The 2011 Reassessments levied on the respective parcels in the 2011 Reassessment District, together with interest thereon computed at the rate specified in the Local Obligations (which interest shall begin to run from the date of the Local Obligations except as may be provided otherwise in the Local Obligation Purchase Contract), shall, in accordance with and consistent with the 1915 Act, as incorporated in the 1984 Act, remain and constitute a trust fund for the redemption and payment of the principal of the Local Obligations and for the interest due thereon, and the 2011 Reassessments and each installment thereof and the interest and penalties thereon shall constitute a lien against the lots and parcels of land on which they are made until the same be paid. The City Finance Director shall cause to be furnished to the County Auditor of the County (the "County Auditor") and, as prescribed by the 1915 Act, as incorporated in the 1984 Act, the County Auditor shall keep records in the County Auditor's office showing, the several installments of principal and interest on the 2011 Reassessments which are to be collected in each year during the term of the Local Obligations; and an annual installment of the 2011 Reassessments shall be payable and shall be collected in each year corresponding in amount to the amount of Local Obligations unpaid and to accrue that year, which amount shall be sufficient to pay the Local Obligations as the same become due, and an annual installment of interest on the 2011 Reassessments shall be payable and shall be collected in each year corresponding in amount to the amount of interest which will accrue on the Local Obligations outstanding for such year, which amount shall be sufficient to pay the interest thereon that shall become due in the next succeeding March and September. The annual proportion of the unpaid principal of the 2011 Reassessments coming due in any year, together with the annual interest on the 2011 Reassessments, shall be payable in the same manner and at the same time and in the same installments as the general taxes on real property in the City are payable, and the annual installments on account of each unpaid 2011 Reassessment shall be payable and become delinquent on the same dates and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes on real property in the City.

The City covenants for the benefit of the registered owners of the Local Obligations and the registered owners of the 2011 Refunding Bonds as follows: (a) the City will monitor or cause to be monitored the records of the County Auditor and the Contra Costa County Tax Collector for the purpose of ascertaining the occurrence of any delinquency in the payment when due of any annual installment on account of each unpaid 2011 Reassessment.; (b) not later than the first day of October following the end of each fiscal year, the City will prepare or cause to be prepared a summary of all delinquencies; (c) not later than the first day of February following the end of each fiscal year, the City will, by resolution of the City Council, order and cause to be commenced and thereafter diligently prosecuted to completion, a judicial foreclosure action regarding delinquent installments of the 2011 Reassessments whenever the summary specified in the foregoing subsection (b) demonstrates satisfaction of either of the following conditions: (i) whenever the aggregate amount of all

delinquent installments, including those for the just completed fiscal year and all prior fiscal years, exceeds five percent (5.0%) of the amount of the installments posted to the tax roll for the just completed fiscal year, then the City will initiate and prosecute foreclosure on all delinquencies irrespective of the amount of any individual delinquency; and (ii) whenever the aggregate amount of all delinquent installments, including those for the just completed fiscal year and all prior fiscal years, on all parcels owned by the same owner exceed \$5,000, then the City will initiate and prosecute foreclosure on all delinquencies on all parcels owned by that owner; and (d) notwithstanding the provisions of the foregoing subsection (c), the City shall not be obligated to initiate the foreclosure or foreclosures otherwise required by subsection (c) if the balance on deposit in the Reserve Funds for both the Series A Bonds and Series B Bonds are equal to the respective Reserve Requirements.

There is created and established a fund to be known as the “City of Pittsburgh Limited Obligation Refunding Bonds, Reassessment District No. 2011-1, Redemption Fund” (the “Redemption Fund”), which fund shall be kept by the Finance Director and shall constitute a trust fund for the benefit of the registered owners of the Local Obligations. All sums received by the Finance Director which are received from the collection of the 2011 Reassessments, and of the interest and penalties thereon, and including amounts paid to the City on account of any prepayment of a 2011 Reassessment lien (whether in whole or in part), shall upon receipt be deposited in said fund. At the time of the issuance of the Local Obligations, the City shall deposit in the Redemption Fund from the proceeds of sale of the Local Obligations the amount representing the capitalized interest, if any, and the accrued interest, if any, received on the delivery of the Local Obligations; provided that, in the event the amount representing capitalized interest on the two series of the 2011 Refunding Bonds is deposited in a fund or account established by the Trustee under the Trust Agreements for such purpose, the foregoing requirement of a deposit in the Redemption Fund for the Local Obligation shall be deemed satisfied. All sums to become due for the principal of and the interest on the Local Obligations shall be withdrawn by the Finance Director from said fund for transfer to the Paying Agent for use for the payment of the principal of and the interest on the Local Obligations, and the Local Obligations and the interest thereon shall not be paid out of any other funds. Any surplus remaining in said fund after payment of the principal of and the interest on the Local Obligations shall be applied as directed by the City.

For the reason that a reserve fund is being established pursuant to the Trust Agreements for each of the two series of the 2011 Refunding Bonds, no provision is made in the Local Obligation Resolution for a reserve fund with respect to the Local Obligations.

There is created and established a fund to be known as the “City of Pittsburgh Limited Obligation Refunding Bonds, Reassessment District No. 2011-1, Refunding Fund,” which fund shall be kept by the Finance Director. From the proceeds of sale of the Local Obligations, the Finance Director shall deposit in the Refunding Fund that portion of such proceeds of sale which, when combined with other moneys available for the purpose, will provide an amount of money (the “Escrow Deposit”), to be determined by the Finance Director with the assistance of a verification agent, which is sufficient to fully fund the escrow fund to be established by the escrow agent appointed by the City (the “Escrow Agent”) pursuant to a refunding escrow agreement (the “Refunding Escrow Agreement”) to provide for the redemption of the Prior Bonds on the date specified by the Refunding Escrow Agreement (the “Redemption Date”); provided, however, that the Finance Director may provide for a direct deposit with the Escrow Agent of said Escrow Deposit by the Authority, as the original purchaser of the Local Obligations, on the date of delivery of the 2011 Refunding Bonds to said original purchaser thereof. In the event of such direct deposit, the City shall not be required to establish the Refunding Fund pursuant to the Local Obligation Resolution.

There is created and established a fund to be known as the “City of Pittsburgh Limited Obligation Refunding Bonds, Reassessment District No. 2011-1, Expense Fund,” which fund shall be kept by the Finance Director. All moneys collected by the City as administrative costs pertaining to administration of the 2011 Reassessments and the Local Obligations shall also be deposited in the Expense Fund. All money in the Expense Fund shall be disbursed on such dates and in such amounts as are necessary to pay all costs of administering the 2011 Reassessments and the Local Obligations (as provided under the 1915 Act, as incorporated in the 1984 Act), including all expenses incident to administering installments and prepayments collected on account of the unpaid 2011 Reassessments, apportioning the 2011 Reassessments if necessary in the event of division of any 2011

Reassessment parcel, and all expenses incident to the calling, retiring or paying of the Local Obligations, and including, but not limited to, reimbursement to the City for the time expended by City staff and the fees and expenses of all service providers retained by the City in connection therewith.

There is created and established a fund to be known as the “City of Pittsburg Limited Obligation Local Obligations, Reassessment District No. 2011-1, Investment Earnings Fund,” which fund shall be kept by the Finance Director. Proceeds of the investment of amounts in the various funds prescribed by the Local Obligation Resolution shall be deposited in the Investment Earnings Fund. As of June 30 of each year during the term of the Local Obligations, the Finance Director shall determine or cause to be determined whether any portion of investment earnings must be rebated to the United States pursuant to Section 148 of the United States Internal Revenue Code and regulations adopted thereunder. Any amounts required to be rebated will be transferred to the Arbitrage Rebate Fund (to be established pursuant to Section 16 below), and the balance will be transferred as follows: (a) to the extent that the balance in the Reserve Fund held by the Trustee with respect to either of the two series of the 2011 Refunding Bonds is less than the Reserve Requirement, a transfer will be made from the Investment Earnings Fund to the Trustee for deposit in such Reserve Fund; and (b) the remaining balance in the Investment Earnings Fund, if any, will be transferred to the Redemption Fund established under the Local Obligation Resolution to be used for either (i) crediting (and thereby reducing) the next succeeding annual installments to be billed on account of unpaid 2011 Reassessments or (ii) the advance retirement of Local Obligations, as the Finance Director shall determine in the sole discretion of the Finance Director.

The Finance Director is authorized to retain independent attorneys, accountants and other consultants to assist in complying with federal arbitrage and rebate requirements and restrictions.

The City will not take or omit to take any action that would cause the interest on the Local Obligations to be included in gross income for federal income tax purposes.

## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

[Closing Date], 2011

Governing Board  
Pittsburg Infrastructure Financing Authority  
65 Civic Avenue  
Pittsburg, CA 94565

Pittsburg Infrastructure Financing Authority  
2011 Reassessment Revenue Refunding Bonds  
Series A and Subordinated Series B  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Pittsburg Infrastructure Financing Authority (the “Issuer”) in connection with the issuance of its \$15,585,000 principal amount of 2011 Reassessment Revenue Refunding Bonds, Series A (the “Senior Bonds”) and \$2,255,000 principal amount of 2011 Reassessment Revenue Refunding Bonds, Subordinated Series B (the “Subordinated Bonds” and, together with the Senior Bonds, the “Bonds”), pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (Sections 6584 and following, California Government Code), Resolution No. 11-005, adopted by the Governing Board of the Issuer on August 1, 2011 (the “Resolution”), authorizing the issuance, sale and delivery of the Bonds, and two trust agreements, one pertaining to the Senior Bonds and the other pertaining to the Subordinated Bonds, each dated as of August 1, 2011 (collectively, the “Trust Agreements”), and each entered into by and among the Issuer, the City of Pittsburg (the “City”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are issued for the purpose of enabling the Issuer to acquire certain local obligations (the “Local Obligations”) of the City. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreements.

In such connection, we have reviewed the Resolution, the Trust Agreements, a Tax Certificate dated the date hereof (the “Tax Certificate”), certificates of the Issuer, the City, the Trustee and others, opinions of counsel to the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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

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

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

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

1. The Bonds constitute valid and binding limited obligations of the Issuer.
2. The Trust Agreements have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Issuer. Each Trust Agreement creates a valid pledge to secure the payment of the principal of and interest on the Bonds, of its respective Trust Estate, including the Revenues with respect to the Senior Bonds and the Subordinated Revenues with respect to the Subordinate Bonds and any other amounts (including proceeds of sale of the Bonds) held by the Trustee in any fund or account established pursuant to each Trust Agreement (except the Rebate Fund), subject to the provisions of the Trust Agreements permitting the application thereof for the purposes and on the terms and conditions set forth therein.
3. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the City, the State or any subordinate entity or political subdivision of either is pledged to the payment of the principal of or the interest on the Bonds. The Bonds are not a debt of the either the City or the State, and neither the City nor the State is liable for the payment thereof.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes of the State. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earning when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on the Bonds.

Faithfully yours,  
MEYERS, NAVE, RIBACK, SILVER & WILSON

per

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

*The following is the form of the Continuing Disclosure Agreement which is expected to be entered into on the date of issuance of the Bonds.*

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the City of Pittsburg (the “Local Agency”), on behalf of the Pittsburg Infrastructure Financing Authority (the “Issuer”), and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$15,585,000 aggregate principal amount of Pittsburg Infrastructure Financing Authority 2011 Reassessment Revenue Refunding Bonds, Series A (the “Senior Bonds”) and \$2,255,000 aggregate principal amount of Pittsburg Infrastructure Financing Authority 2011 Reassessment Revenue Refunding Bonds, Subordinated Series B (the “Subordinate Bonds, and, together with the Senior Bonds, the “Bonds”). The Senior Bonds and Subordinate Bonds are being issued pursuant to the provisions of separate Trust Agreement, each dated as of August 1, 2011 (each, a “Trust Agreement”), among the Issuer, the Local Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The proceeds of the Bonds are being used by the Issuer to purchase the City of Pittsburg Limited Obligation Refunding Bonds, Reassessment District 2011-1 (the “Local Obligations”) issued by the Local Agency for the purpose of refunding the Issuer’s 1998 Reassessment Revenue Bonds, Series A and Subordinated Series B and three series of limited obligation improvement bonds of the Local Agency.

The Local Agency covenants and agrees as follows:

1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Local Agency for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

“Annual Report” shall mean any Annual Report provided by the Local Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

“Dissemination Agent” shall mean Willdan Financial Services, or any person who may be later designated in writing by the Local Agency and which has filed with the Local Agency a written acceptance of such designation.

“Fiscal Year” shall mean the one-year period ending on the last day of June of each year.

“Holder” shall mean a registered owner of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. All documents provided to the MSRB shall be in an electronic format and accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Continuing Disclosure Agreement shall use the MSRB’s Electronic Municipal Market Access (EMMA) system for municipal securities disclosures at [www.emma.msrb.org](http://www.emma.msrb.org).

“Official Statement” shall mean the Official Statement of the Issuer dated August 16, 2011, delivered by the Issuer in connection with the Bonds.

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

“Rule” shall mean Rule 15c2-12, adopted by the SEC under the Securities Exchange Act of 1934.

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

### 3. Provision of Annual Reports.

a) The Local Agency shall provide to the Dissemination Agent (if the Dissemination Agent is other than the Local Agency), and the Dissemination Agent shall provide to the MSRB, not later than eight months after the end of its Fiscal Year (which currently would be February 28, commencing with February 28, 2012, for the report for Fiscal Year 2010-2011, which ends on June 30, 2011) an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Agreement, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 4 of this Disclosure Agreement.

If the Local Agency’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) below.

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

c) If the Local Agency has not provided the Annual Report to the Dissemination Agent by the date required in subsection (a), the Dissemination Agent shall send to the MSRB a notice in substantially the form attached hereto as Exhibit A.

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

a) The audited financial statement of the Local Agency for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Local Agency’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the

Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The following statement shall be included in bold type in each Annual Report or filing containing the Local Agency's financial statements:

**THE FOLLOWING FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OF PITTSBURG (OTHER THAN THE REASSESSMENTS LEVIED IN REASSESSMENT DISTRICT NO. 2011-1) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.**

- b) Principal amount of Senior Bonds and Subordinate Bonds outstanding;
- c) A statement of the amounts on deposit in each fund or account established under each Trust Agreement (except the Rebate Fund and the Expense Fund);
- d) An update of the information in Table 2 entitled "City of Pittsburgh Reassessment District No. 2011-01 Remaining Prior Assessments" in the Official Statement;
- e) An update of the information in Table 3 entitled "City of Pittsburgh Reassessment District No. 2011-01 Remaining Assessment - Developed Parcels and Undeveloped Parcels" in the Official Statement;
- f) An update of the information in Table 4 entitled "City of Pittsburgh Reassessment District No. 2011-01 Assessed Values and Value-to-Lien Ratios" in the Official Statement;
- g) An update of the information in Table 5 entitled "City of Pittsburgh Reassessment District No. 2011-01 Summary of Value-to-Lien Ratios" in the Official Statement;
- h) An update of the information in Table 6 entitled "City of Pittsburgh Reassessment District No. 2011-01 Assessment Collections and Delinquencies" in the Official Statement; and
- i) With respect to any delinquency of an owner which holds land subject to more than 5% of the assessment liens securing Local Obligations, the following information:
  - a. Assessor's Parcel Number
  - b. Record owner of the parcel;
  - c. Amount of delinquency, including separate statement of amounts representing principal on Local Obligations, interest on Local Obligations, administrative expenses levy, penalties and interest on delinquency;
  - d. Due date of first delinquent installment; and
  - e. Status of foreclosure action, if any.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Local Agency or related public entities, which have been submitted to the MSRB; provided, that if any document included by reference is a final official statement, it must be available from the MSRB; and provided further, that the Local Agency shall clearly identify each such document so included by reference.

5. Reporting of Listed Events.

a) Pursuant to the provisions of this Section 5(a), the Local Agency shall provide to the MSRB, or shall cause to be provided to the MSRB, notice of the occurrence of any of the following Listed Events with respect to the Bonds not more than ten (10) Business Days after the occurrence of the event, irrespective of any determination as to whether such event may or may not be deemed material:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
6. defeasances;
7. tender offers;
8. bankruptcy, insolvency, receivership or similar proceedings pertaining to the Local Agency; and
9. ratings changes.

b) Pursuant to the provisions of this Section 5(b), the Local Agency shall provide to the MSRB, or shall cause to be provided to the MSRB, notice of the occurrence of any of the following Listed Events with respect to the Bonds, if material:

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the Local Agency or the disestablishment or dissolution of the Local Agency;
2. appointment of a successor or additional Trustee or the change of the name of the Trustee or any successor or additional Trustee;
3. non-payment related defaults;
4. modifications to the rights of Holders;
5. optional, contingent or unscheduled bond calls, prepayment or redemptions other than defeasances; and

6. release, substitution or sale of property securing repayment of the Bonds.

c) Whenever the Local Agency obtains knowledge of the occurrence of a Listed Event described in subsection (b) immediately above, the Local Agency shall as soon as possible determine if such event would be material under applicable federal securities laws, recognizing that, in the event that a Listed Event described in said subsection (b) is deemed material, the notice of such occurrence must be filed with the MSRB not more than ten (10) Business Days after the occurrence of the event, not ten (10) Business Days after the determination of materiality.

If the Local Agency determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Local Agency shall file a notice of such occurrence not more than ten (10) Business Days after the occurrence of the event.

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

7. Dissemination Agent. The Local Agency, may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Local Agency pursuant to the Disclosure Agreement. The initial Dissemination Agent shall be Willdan Financial Services. For any period during which the Local Agency has not engaged a Dissemination Agent, the Local Agency shall be responsible to fulfill all functions and perform all duties ascribed to the Dissemination Agent by this Disclosure Agreement.

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Local Agency may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Local Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Local Agency chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Local Agency shall not thereby have any obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

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

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance by the Local Agency unless they shall have first delivered to the Local Agency satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Local Agency shall have refused to comply therewith within a reasonable time.

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

12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Local Agency, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

Dated: August 25, 2011

CITY OF PITTSBURG

By: \_\_\_\_\_  
Tina Olson, Finance Director

WILLDAN FINANCIAL SERVICES,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Signatory

Exhibit A

FORM OF NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: PITTSBURG INFRASTRUCTURE FINANCING AUTHORITY  
Name of Bond Issue: Pittsburg Infrastructure Financing Authority 2011 Reassessment Revenue Refunding Bonds, Series A and Subordinated Series B  
Name of Local Agency: CITY OF PITTSBURG  
Date of Issuance: August 25, 2011

NOTICE IS HEREBY GIVEN that the City of Pittsburg has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Agreement, dated the Date of Issuance. The undersigned has been informed by the City of Pittsburg that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

WILLDAN FINANCIAL SERVICES,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Signatory

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## APPENDIX E

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following information concerning The Depository Trust Company, New York, NY (“DTC”) and DTC’s book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority is not responsible or liable for the failure of DTC or any Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.*

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

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

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

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

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

The Authority 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.

**APPENDIX F**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY FOR THE SENIOR BONDS**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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