

*In the opinion of Squire Sanders (US) LLP, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Series 2012A Bonds is exempt from State of California personal income taxes. Interest on the Series 2012A Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see “TAX MATTERS” herein.*



**\$7,050,000**  
**COMMUNITY FACILITIES DISTRICT NO. 7**  
**(ALTADENA AREA)**  
**OF THE COUNTY OF LOS ANGELES**  
**SPECIAL TAX REFUNDING BONDS**  
**SERIES 2012A**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover**

The Community Facilities District No. 7 (Altadena Area) of the County of Los Angeles (the “District”) Special Tax Refunding Bonds, Series 2012A (the “Series 2012A Bonds”) are being issued by the District to (i) refinance and defease the District’s Special Tax Bonds, Series 1999A currently outstanding in the aggregate principal amount of \$6,880,000 (the “Series 1999A Bonds”), (ii) fund the Reserve Fund, and (iii) pay for costs of issuance incurred in connection with the issuance of the Series 2012A Bonds. See “THE REFUNDING PLAN.”

The District is located in the northwestern portion of the County of Los Angeles, California (the “County”). The District consists of approximately 110 net acres of taxable land consisting of 272 completed single-family detached dwelling units.

The Series 2012A Bonds are authorized to be issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 as amended (being Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), a resolution (the “Resolution”) adopted on September 18, 2012 by the Board of Supervisors (the “Board”) of the County, acting as the legislative body of the District, and the Indenture, dated as of August 1, 1999 (the “Bond Indenture”), as amended by the First Supplemental Indenture, dated as of October 1, 2012 (the “First Supplemental Indenture” and, together with the Bond Indenture, the “Indenture”), executed by the District, acting through the Board as the legislative body, the Treasurer and Tax Collector of the County, as paying agent, and the Auditor-Controller of the County, as fiscal agent. U.S. Bank National Association will serve as Paying Agent by delegation of the Treasurer and Tax Collector of the County.

The payment of principal of, premium, if any, and interest on the Series 2012A Bonds is secured by and payable from the Special Tax (as defined herein) levied on property located within the District, after the payment of Administrative Expenses (“Net Taxes”), and the funds and accounts held under the Indenture. The Special Tax is levied according to the rate and method of apportionment approved by the owners of the property within the District. The Special Taxes are collected in the same manner and at the same time as *ad valorem* property taxes are collected by the Treasurer and Tax Collector of the County. The District pursuant to the Indenture has covenanted not to issue any additional bonds secured by Special Taxes on a parity with the Series 2012A Bonds, except for bonds issued to refund the Series 2012A Bonds in whole or in part in compliance with the Indenture. See “SECURITY FOR THE SERIES 2012A BONDS.”

Interest on the Series 2012A Bonds is payable on March 1 and September 1 of each year, commencing on March 1, 2013. The Series 2012A Bonds will be delivered in fully registered form only, and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2012A Bonds. Ownership interests in the Series 2012A Bonds may be purchased in book-entry form only, in the denominations of \$5,000 or any integral multiple thereof. So long as the Series 2012A Bonds are registered in the name of Cede & Co., as nominee of DTC, principal of, premium, if any, and interest on the Series 2012A Bonds will be paid by the Paying Agent to DTC or its nominee which will in turn remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of interests in the Series 2012A Bonds as described herein. See Appendix D—“BOOK-ENTRY-ONLY SYSTEM.”

The Series 2012A Bonds are subject to optional redemption as set forth herein. See “THE SERIES 2012A BONDS—Optional Redemption.”

THE SERIES 2012A BONDS AND INTEREST THEREON ARE NOT PAYABLE FROM THE GENERAL FUNDS OF THE DISTRICT OR THE COUNTY. EXCEPT WITH RESPECT TO THE SPECIAL TAX, NEITHER THE CREDIT NOR THE TAXING POWER OF THE DISTRICT NOR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE SERIES 2012A BONDS OR THE INTEREST THEREON, AND, EXCEPT AS PROVIDED IN THE INDENTURE, NO BONDOWNER MAY COMPEL THE EXERCISE OF ANY TAXING POWER BY THE DISTRICT OR THE COUNTY OR FORCE THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2012A BONDS ARE NOT A DEBT OF THE DISTRICT OR THE COUNTY NOR A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THEIR RESPECTIVE PROPERTY OR UPON ANY OF THEIR RESPECTIVE INCOME, RECEIPTS OR REVENUES, EXCEPT THE NET TAXES.

MATURITY SCHEDULE  
(See Inside Cover)

See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of the risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2012A Bonds.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A COMPLETE SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2012A Bonds are offered when, as and if issued, subject to approval as to their legality by Squire Sanders (US) LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by County Counsel of the County. Certain matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Series 2012A Bonds in book-entry form will be available through the facilities of DTC in New York, New York on or about October 11, 2012.

**STONE & YOUNGBERG**  
A DIVISION OF STIFEL NICOLAUS

**\$7,050,000**  
**COMMUNITY FACILITIES DISTRICT NO. 7**  
**(ALTADENA AREA)**  
**OF THE COUNTY OF LOS ANGELES**  
**SPECIAL TAX REFUNDING BONDS**  
**SERIES 2012A**

**MATURITY SCHEDULE**

**\$7,050,000 Serial Bonds**

<i><u>Maturity Date</u></i> <i><u>(September 1)</u></i>	<i><u>Principal</u></i> <i><u>Amount</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Yield</u></i>	<i><u>CUSIP</u></i> <sup>†</sup>
2013	\$360,000	1.000%	0.950%	544668AQ9
2014	340,000	1.375	1.450	544668AR7
2015	345,000	1.750	1.730	544668AS5
2016	350,000	2.000	2.080	544668AT3
2017	355,000	2.375	2.480	544668AU0
2018	365,000	2.750	2.830	544668AV8
2019	375,000	3.000	3.100	544668AW6
2020	385,000	3.250	3.350	544668AX4
2021	400,000	3.500	3.600	544668AY2
2022	410,000	3.625	3.750	544668AZ9
2023	425,000	3.750	3.880	544668BA3
2024	445,000	4.000	4.000	544668BB1
2025	460,000	4.000	4.100	544668BC9
2026	480,000	4.000	4.200	544668BD7
2027	495,000	4.125	4.250	544668BE5
2028	520,000	4.125	4.300	544668BF2
2029	540,000	4.250	4.350	544668BG0

<sup>†</sup> Copyright 2012, American Bankers Association. CUSIP® data herein is provided by Standard & Poor's, CUSIP® Service Bureau, a division of The McGraw-Hill Companies, Inc. Neither the District nor the Underwriter takes any responsibility for the accuracy of such data.

**COUNTY OF LOS ANGELES BOARD OF SUPERVISORS**

Zev Yaroslavsky, Chairman  
Third District

Gloria Molina  
First District

Mark Ridley-Thomas  
Second District

Don Knabe  
Fourth District

Michael D. Antonovich  
Fifth District

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Sachi A. Hamai  
Executive Officer - Clerk  
Board of Supervisors

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**LOS ANGELES COUNTY OFFICIALS**

William T Fujioka  
Chief Executive Officer

Mark J. Saladino  
Treasurer and Tax Collector

Wendy L. Watanabe  
Auditor-Controller

John F. Krattli  
County Counsel

---

**BOND COUNSEL**

Squire Sanders (US) LLP  
Los Angeles, California

**SPECIAL TAX CONSULTANT**

David Taussig & Associates, Inc.  
Newport Beach, California

**FISCAL AGENT**

Auditor-Controller of the County of Los Angeles

**PAYING AGENT**

U.S. Bank National Association, as agent of the  
Treasurer and Tax Collector of the County of Los Angeles

**ESCROW AGENT**

U.S. Bank National Association  
Los Angeles, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the County and the District. No dealer, broker, salesperson or other person has been authorized by the County, the District, the Paying Agent or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Series 2012A Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County, the District, the Paying Agent or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2012A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2012A 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 Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith.

**IN CONNECTION WITH THE OFFERING OF THE 2012A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2012A 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 2012A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2012A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

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 a “plan,” “expect,” “estimate,” “project,” “budget,” or 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 DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.**

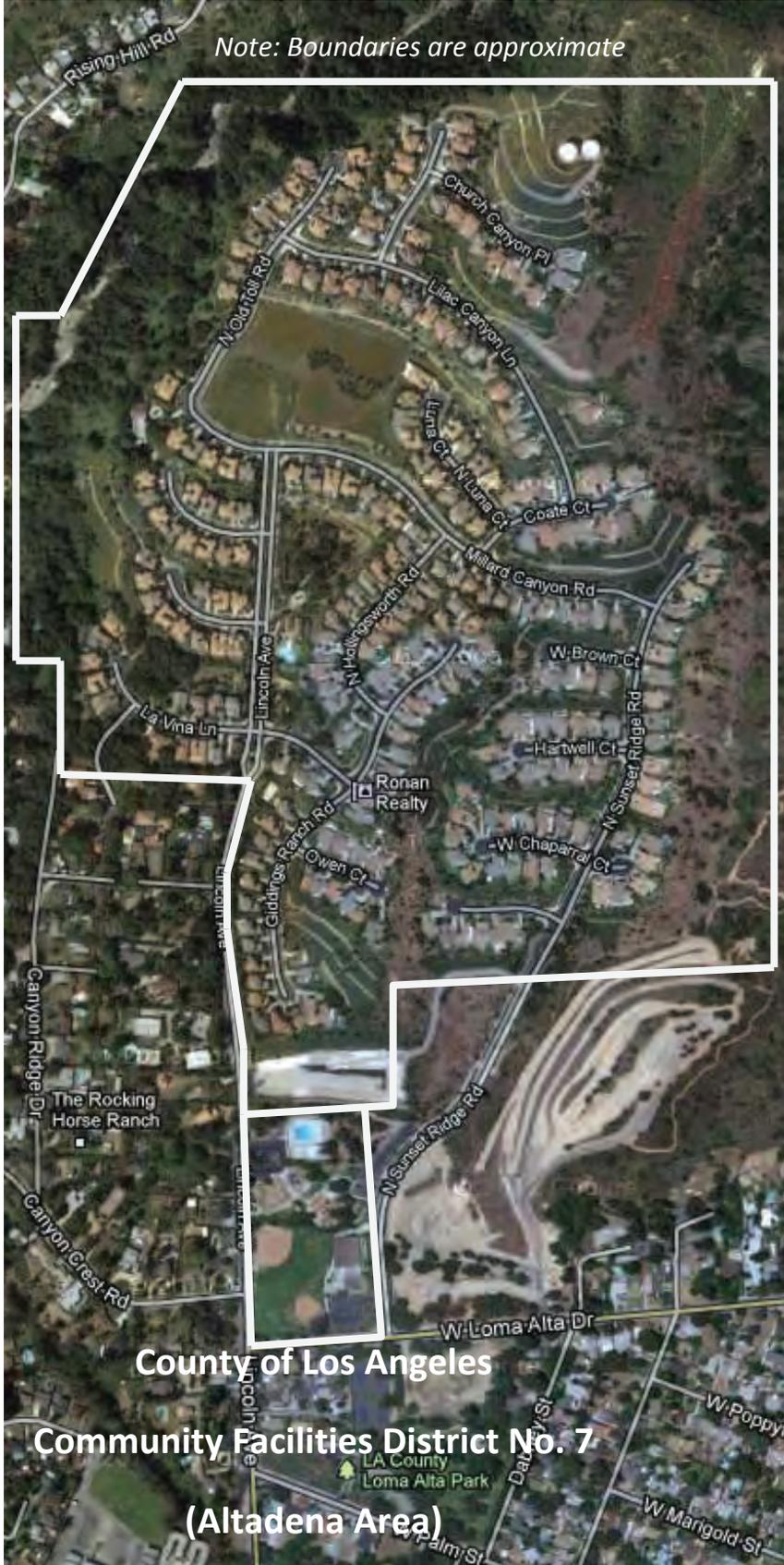
The County maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2012A Bonds.

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Note: Boundaries are approximate

County of Los Angeles

Community Facilities District No. 7

(Altadena Area)

**\$7,050,000**  
**COMMUNITY FACILITIES DISTRICT NO. 7**  
**(ALTADENA AREA)**  
**OF THE COUNTY OF LOS ANGELES**  
**SPECIAL TAX REFUNDING BONDS**  
**SERIES 2012A**

**INTRODUCTORY STATEMENT**

**General**

This Official Statement, including the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by Community Facilities District No. 7 of the County of Los Angeles (the "District") of \$7,050,000 aggregate principal amount of its Special Tax Refunding Bonds, Series 2012A (the "Series 2012A Bonds"). The Series 2012A Bonds will be issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, Section 53311 *et seq.* of the Government Code of the State of California (the "Act") and the Indenture, dated as of August 1, 1999 (the "Bond Indenture"), as amended by the First Supplemental Indenture, dated as of October 1, 2012 (the "First Supplemental Indenture" and, together with the Bond Indenture, the "Indenture"), executed by the Board of Supervisors (the "Board") of the County of Los Angeles (the "County"), acting in its capacity as the legislative body of the District, the Treasurer and Tax Collector of the County (the "Treasurer"), as paying agent, and the Auditor-Controller of the County, as fiscal agent (the "Fiscal Agent"). Under the Indenture, the Treasurer has been appointed as the paying agent for the Series 2012A Bonds and, pursuant to the authority vested in him under the Indenture, the Treasurer has selected U.S. Bank National Association to act on behalf of the Treasurer as paying agent (the "Paying Agent").

The proceeds of the Series 2012A Bonds will be used to (i) refinance and defease the District's Special Tax Bonds, Series 1999A, currently outstanding in the aggregate principal amount of \$6,880,000, (ii) fund the Reserve Fund, and (iii) pay for costs of issuance incurred in connection with the issuance of the Series 2012A Bonds. See "EXPECTED SOURCES AND USES OF FUNDS" and "THE REFUNDING PLAN."

The District is located in the an unincorporated portion of the County known as "Altadena," approximately 12 miles north of downtown Los Angeles and in the foothills of the San Gabriel Mountains. The District consists of approximately 220 gross acres and approximately 110 net taxable acres which have been developed with 272 completed single-family detached dwelling units. See "THE DISTRICT."

The payment of principal of, premium, if any, and interest on the Series 2012A Bonds is secured by and payable from the Special Tax (as defined herein) levied on property located within the District, after the payment of Administrative Expenses ("Net Taxes"), and the funds and accounts held under the Indenture. The Special Tax is levied according to the rate and method of apportionment approved by the owners of the property within the District. The Special Taxes are collected in the same manner and at the same time as *ad valorem* property taxes are collected by the Treasurer. Pursuant to the Indenture, the District has covenanted not to issue any additional bonds secured by the Special Taxes, except for bonds issued to refund in whole or in part the Series 2012A Bonds, or subordinate bonds, which in either case shall be issued only in accordance with the provisions of the Indenture. See "SECURITY FOR THE SERIES 2012A BONDS" and Appendix F—"SUMMARY OF THE BOND INDENTURE."

**Authorization to Issue the Series 2012A Bonds**

The Act was enacted by the State of California Legislature to provide an alternative method of financing certain public facilities and services, especially in developing areas. Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of

financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified electors within a community facilities district and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes to repay such bonded indebtedness.

Pursuant to the Act, the Board, acting as the legislative body of the District, adopted a resolution stating its intent to establish the District and authorized the levy of special taxes on land within the boundaries of the District. Following a public hearing conducted pursuant to the Act, the Board, as the legislative body of the District, adopted a resolution establishing the District and calling a special election to submit the propositions authorizing the levy of the Special Taxes and the incurring of a bonded indebtedness to the qualified electors of the District. On July 14, 1995, at an election held pursuant to the Act, the landowners who comprised the qualified electors of the District authorized the District to incur bonded indebtedness in an amount not to exceed \$9,000,000 and approved the rate and method of apportionment of the Special Taxes to be levied to pay the principal of, and interest on, the authorized bonded indebtedness.

The District has previously issued its Series 1999A Bonds which financed public facilities within or benefiting the District. Pursuant to the Act, the Board, acting as the legislative body of the District, has authorized the issuance of the Series 2012A Bonds to refinance and defease the Series 1999A Bonds. The amount of the Special Tax to be levied annually will depend on, among other things, whether a given parcel is classified as Developed Property or Undeveloped Property (as such terms are herein after defined) and on the square footage and type of the residential units classified as Developed Property. See “THE DISTRICT—Rate and Method of Apportionment of Special Tax.”

### **The District**

The District consists of approximately 220 gross acres of land, of which approximately 110 acres are developed. The District is located at the base of the San Gabriel Mountains, approximately 12 miles north of downtown Los Angeles. The District contains 272 completed single-family detached dwelling units. The individual lot sizes within the District vary from 5,748 to 36,230 square feet with 98 lots being in excess of 10,000 square feet.

The Rate and Method of Apportionment of Special Tax classifies property to be taxed into “developed property,” which includes all Assessor’s Parcels in the District for which a building permit has been issued as of July 1 (“Developed Property”), and “undeveloped property,” which is all other taxable property not classified as Developed Property (“Undeveloped Property”). As of July 1, 2012, there were 272 single-family dwelling units for which a building permit had been issued. The District is fully built out, and no additional units are expected to be constructed. See “THE DISTRICT.”

Based on information provided by the County Assessor, the assessed valuation within the District as of July 1, 2012 was \$217,320,144. See “SECURITY FOR THE SERIES 2012A BONDS—Property Values.” In addition, see “SPECIAL RISK FACTORS—Additional and Overlapping Debt” for a discussion of additional debt payable on a parity with the Series 2012A Bonds.

### **Security for the Series 2012A Bonds**

The Series 2012A Bonds will be secured on a parity with other bonds secured by the Special Taxes (collectively, the “District Bonds”) issued pursuant to the terms of the Indenture and, subject to the limitations therein, and by all moneys in the Bond Service Fund, the Redemption Fund, and the Reserve Fund and certain moneys in the Special Tax Fund created pursuant to the terms of the Indenture. See “SECURITY FOR THE SERIES 2012A BONDS—No Additional Bonds; Refunding Bonds” and Appendix F—“SUMMARY OF THE BOND INDENTURE.” The Special Taxes pledged to the payment of the District Bonds are to be included on the regular property tax bills sent to the record owners of property within the District. The District has covenanted for the benefit of the owners of the District Bonds (the “Bondowners”) that, under certain

circumstances described herein, it will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within the District and will diligently pursue such proceedings to completion. See “SECURITY FOR THE SERIES 2012A BONDS—The Special Taxes” and “—Covenant for Superior Court Foreclosure.”

See “SECURITY FOR THE SERIES 2012A BONDS—Additional Bonds” and “SPECIAL RISK FACTORS—Additional and Overlapping Debt.”

### **Book-Entry-Only System**

The Series 2012A Bonds will be delivered in fully registered form only and when executed and delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Series 2012A Bonds. Ownership interests may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. So long as the Series 2012A Bonds are registered in the name of Cede & Co., as nominee of DTC, principal of, premium, if any, and interest on the Series 2012A Bonds is payable to DTC for subsequent disbursement to beneficial owners of the Series 2012A Bonds. See Appendix D—“BOOK-ENTRY-ONLY SYSTEM.”

### **Reserve Fund**

There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. The Indenture provides that the Reserve Requirement means, as of any date of calculation, an amount equal to the least of (a) Maximum Annual Debt Service (as defined in the Indenture) on the Outstanding District Bonds, (b) 10% of the initial aggregate principal amount of the Series 2012A Bonds, or (c) 125% of Average Annual Debt Service (as defined in the Indenture). If the amount on deposit in the Reserve Fund is less than the Reserve Requirement, then the District has covenanted to restore the amount in the Reserve Fund to the Reserve Requirement by including such amount in the next annual Special Tax Levy or otherwise. The moneys in the Reserve Fund will be used for the payment of the principal of, premium, if any, and interest on the District Bonds in the event that the moneys in the Bond Service Fund are insufficient therefor and for payment of the principal of, premium, if any, and interest on, the last maturity of the appropriate series of the District Bonds. See “SECURITY FOR THE SERIES 2012A BONDS—Reserve Fund.”

### **Limited Obligation**

THE SERIES 2012A BONDS AND INTEREST THEREON ARE NOT PAYABLE FROM THE GENERAL FUNDS OF THE DISTRICT OR THE COUNTY. EXCEPT WITH RESPECT TO THE SPECIAL TAXES, NEITHER THE CREDIT NOR THE TAXING POWER OF THE DISTRICT NOR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE SERIES 2012A BONDS OR THE INTEREST THEREON, AND, EXCEPT AS PROVIDED IN THE INDENTURE, NO BONDOWNER MAY COMPEL THE EXERCISE OF ANY TAXING POWER BY THE DISTRICT OR THE COUNTY OR FORCE THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2012A BONDS ARE NOT A DEBT OF THE DISTRICT OR THE COUNTY NOR A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THEIR RESPECTIVE PROPERTY OR UPON ANY OF THEIR RESPECTIVE INCOME, RECEIPTS OR REVENUES, EXCEPT THE NET TAXES.

### **Special Risk Factors**

A number of risk factors should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2012A Bonds. See “SPECIAL RISK FACTORS.”

## **Continuing Disclosure**

The District will covenant to provide certain financial information and operating data relating to the District by not later than February 1 succeeding the end of the District's Fiscal Year (presently such Fiscal Year end is June 30) commencing with the report for the Fiscal Year 2012-13 (the "Annual Report"), and the District has covenanted to provide notices of the occurrence of certain enumerated events. In addition to its undertaking relating to the Series 2012A Bonds, the District will provide the information to be contained in the Annual Report or the notices of enumerated events as set forth in Appendix C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The Annual Report and notices of certain listed events will be filed by a dissemination agent on behalf of the District with the Municipal Securities Rulemaking Board. The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

## **Summaries of Documents; Documents Available for Inspection**

Brief descriptions of the Series 2012A Bonds, the security for the Series 2012A Bonds, special risk factors, the Indenture, the District, the County and other information are included in this Official Statement together with summaries of certain provisions of the Series 2012A Bonds and the Indenture. Such descriptions and information do not purport to be comprehensive or definitive. All such descriptions of documents are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of the Treasurer and Tax Collector of the County of Los Angeles, 500 West Temple Street, Room 432, Los Angeles, California 90012.

## **THE SERIES 2012A BONDS**

### **Authority for Issuance**

The District was established and bonded indebtedness in an amount not to exceed \$9,000,000 was authorized for the District pursuant to the Act. Under the provisions of the Act, at a special election held on July 14, 1995, the landowners who comprised the qualified voters of the District voted to incur the bonded indebtedness and to approve an annual levy of Special Taxes to be collected within the District. See "THE DISTRICT—Summary of Formation Proceedings." The District has covenanted in the Indenture not to issue any additional bonds secured on a parity with the Special Taxes except in connection with a refunding of the Series 2012A Bonds for debt service saving in accordance with the Indenture. Notwithstanding the foregoing, the District may issue bonds payable from Special Taxes on a basis subordinate to the Series 2012A Bonds in accordance with the terms of the Indenture. See "SECURITY FOR THE SERIES 2012A BONDS—No Additional Bonds; Refunding Bonds."

### **Description of the Series 2012A Bonds**

The Series 2012A Bonds will be issued in the aggregate principal amount shown on the cover page of this Official Statement and will be dated as shown on the cover page of this Official Statement. The Series 2012A Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). So long as DTC, or its nominee, Cede & Co., is the registered owner of all Series 2012A Bonds, all payments on the Series 2012A Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (as defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined below) of the Series 2012A Bonds will be the responsibility of the DTC Participants as more fully described herein.

Interest on the Series 2012A Bonds will accrue from their dated date, at the rates per annum set forth on the cover page hereof, payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2013 (each, an "Interest Payment Date") to the persons in whose names the Series 2012A Bonds are

registered on the 15th calendar day of the month preceding each such Interest Payment Date (each, a “Record Date”) (whether or not such day is a business day) and the principal of the Series 2012A Bonds will be payable on September 1 in each of the years and in the amounts shown on the cover page hereof. Each Series 2012A Bond will bear interest from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the dated date of the Series 2012A Bonds; provided, however, that if at the time of authentication of such Series 2012A Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or from the dated date of the Series 2012A Bonds if no interest has been paid or made available for payment. Payment of interest shall be made in immediately available funds by wire transfer to any Bondowner of \$1,000,000 or more in aggregate principal amount of Series 2012A Bonds, if such Bondowner shall have provided the Paying Agent with an account number at an institution in the continental United States and any other necessary information for such purposes on or before the applicable Record Date. Interest on the Series 2012A Bonds shall be computed using a year of 360 days comprised of twelve 30-day months.

### **Optional Redemption**

The Series 2012A Bonds maturing on or before September 1, 2022 are not subject to call and redemption prior to maturity. The Series 2012A Bonds maturing on or after September 1, 2023 may be redeemed, at the option of the District, prior to maturity, on any date on or after September 1, 2022, in whole or in part, from such maturities as are selected by the District and by lot within a maturity, from any source of funds made available to the District at a redemption price equal to the principal amount of the Series 2012A Bonds to be redeemed, together with accrued interest thereon to the date of redemption.

In the event the District elects to redeem Series 2012A Bonds as provided above, the District shall give written notice to the Paying Agent of its election to so redeem the Series 2012A Bonds, the redemption date and the principal amount of the Series 2012A Bonds to be redeemed. The notice to the Paying Agent shall be given at least 30 days but no more than 60 days prior to the redemption date.

### **Selection of Bonds for Redemption**

If less than all of the Outstanding Series 2012A Bonds are to be redeemed, the Paying Agent shall redeem the Series 2012A Bonds as selected by the District and by lot within a single maturity; provided, however, that the portion of any Series 2012A Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof and that, in selecting portions of such Series 2012A Bonds for redemption, the Paying Agent shall treat each such Series 2012A Bond as representing that number of Series 2012A Bonds of a \$5,000 denomination which is obtained by dividing the principal amount of such Series 2012A Bond to be redeemed in part by \$5,000. The Paying Agent shall promptly notify the District in writing of the Series 2012A Bonds, or portions thereof, selected for redemption. In the event of a partial redemption of any Series 2012A Term Bonds, the mandatory sinking fund payments shall be reduced by the aggregate principal amount of Series 2012A Term Bonds to be partially redeemed in inverse order of mandatory sinking fund redemption dates.

### **Notice of Redemption**

When redemption is required pursuant to the Indenture, the Paying Agent shall give notice (the “Redemption Notice”), at the expense of the District, of the redemption of the Series 2012A Bonds. Such Redemption Notice shall specify: (i) the Series 2012A Bonds or designated portions thereof which are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name and address of any redemption agent, (iv) the redemption price, (v) the CUSIP numbers (if any)

assigned to the Series 2012A Bonds to be redeemed, (vi) if less than all Series 2012A Bonds of a maturity are to be redeemed, the Series 2012A Bond numbers of the Series 2012A Bonds to be redeemed, and (vii) the original issue date, interest rate and stated maturity date of each Series 2012A Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Series 2012A Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable.

Under the terms of the Indenture, the Paying Agent shall take the following actions with respect to such Redemption Notice: (i) at least 30 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective owners of Series 2012A Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register as of the close of business on the day before such Redemption Notice is given, (ii) at least 35 days before the redemption date, such Redemption Notice shall be given by (A) registered or certified mail, postage prepaid, (B) confirmed facsimile transmission, or (C) overnight delivery service, to each of the Securities Depositories, and (iii) at least 35 days before the redemption date, such Redemption Notice shall be given by (A) registered or certified mail, postage prepaid, or (B) overnight delivery service, to one of the Information Services.

Neither the failure to receive any Redemption Notice nor any defect in such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of such Series 2012A Bonds. Each check or other transfer of funds issued by the Paying Agent for the purpose of redeeming Series 2012A Bonds will bear to the extent specified the CUSIP number identifying, by issue and maturity, the Series 2012A Bonds being redeemed with the proceeds of such check or other transfer.

### **Partial Redemption**

Upon surrender of any Series 2012A Bond to be redeemed in part only, the Paying Agent shall authenticate and deliver to the Bondowner, at the expense of the District, a new Series 2012A Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Series 2012A Bond surrendered, with the same interest rate and the same maturity. Such partial redemption shall be valid upon payment of the amount required to be paid to such Bondowner, and the District and the Paying Agent shall be released and discharged thereupon from all liability to the extent of such payment.

### **Effect of Redemption**

Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption, (i) the Series 2012A Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture, anything in the Indenture or the Series 2012A Bonds to the contrary notwithstanding; (ii) upon presentation and surrender thereof at the Principal Office of the Paying Agent, such Series 2012A Bonds shall be redeemed at the redemption price; (iii) from and after the redemption date, the Series 2012A Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Series 2012A Bonds or portions thereof shall cease to bear further interest; and (iv) from and after the date fixed for redemption, no Bondowner of any Series 2012A Bonds so designated for redemption shall be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

## REFUNDING PLAN

### Refunding of the Series 1999A Bonds

The District plans to apply a portion of the proceeds of the Series 2012A Bonds, together with funds on hand, to refund \$6,880,000 aggregate principal amount of the Series 1999A Bonds at a redemption price equal to 100% of the principal amount of the Series 1999A Bonds to be redeemed, plus accrued interest to the date of redemption (the "Redemption Price").

Under an Escrow Agreement, dated as of October 1, 2012 (the "Escrow Agreement"), by and between the District and U.S. Bank National Association, as Escrow Agent (the "Escrow Agent"), the District will deliver a portion of the proceeds of the Series 2012A Bonds to the Escrow Agent, together with certain other funds held by the Escrow Agent, for deposit in the escrow fund established under the Escrow Agreement (the "Escrow Fund"). The District plans to fund the Escrow Fund with cash in an amount sufficient to pay the amounts coming due on the Series 1999A Bonds which will be held by the Escrow Agent uninvested. From the moneys on deposit in the Escrow Fund, the Escrow Agent will pay the interest on the Series 1999A Bonds due on March 1, 2013, and pay the Redemption Price on March 1, 2013.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Series 1999A Bonds. The funds deposited in the Escrow Fund will not be available for the payments with respect to the Series 2012A Bonds.

### ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2012A Bonds are expected to be used as follows:

#### Sources of Funds

Principal Amount of Bonds	\$ 7,050,000.00
(Less Net Original Issue Discount)	(59,867.70)
Prior Bond Funds	<u>764,612.95</u>
Total Sources	<u>\$ 7,754,745.25</u>

#### Uses of Funds

Escrow Fund	\$ 7,086,084.38
Reserve Fund	565,287.50
Costs of Issuance Fund <sup>(1)</sup>	52,260.87
Underwriter's Discount	<u>51,112.50</u>
Total Uses	<u>\$ 7,754,745.25</u>

<sup>(1)</sup> Includes the fees and expenses of Bond Counsel, the Fiscal Agent, the Paying Agent, the Escrow Agent, and other consultants and professionals.

**DEBT SERVICE SCHEDULE**

The following is the annualized debt service schedule for the Series 2012A Bonds, assuming no optional redemption.

<i>Period Ending (September 1)</i>	<i>Principal<sup>(1)</sup></i>	<i>Interest<sup>(1)</sup></i>	<i>Total Annual Debt Service<sup>(1)</sup></i>
2013	\$ 360,000	\$ 203,167	\$ 563,167
2014	340,000	224,963	564,963
2015	345,000	220,288	565,288
2016	350,000	214,250	564,250
2017	355,000	207,250	562,250
2018	365,000	198,819	563,819
2019	375,000	188,781	563,781
2020	385,000	177,531	562,531
2021	400,000	165,019	565,019
2022	410,000	151,019	561,019
2023	425,000	136,156	561,156
2024	445,000	120,219	565,219
2025	460,000	102,419	562,419
2026	480,000	84,019	564,019
2027	495,000	64,819	559,819
2028	520,000	44,400	564,400
2029	<u>540,000</u>	<u>22,950</u>	<u>562,950</u>
Total	<u>\$7,050,000</u>	<u>\$2,526,067</u>	<u>\$9,576,067</u>

<sup>(1)</sup> Numbers are rounded to the nearest dollar.

**SECURITY FOR THE SERIES 2012A BONDS**

**General**

The Series 2012A Bonds, and the interest thereon, are payable from a portion of the annual Special Taxes to be levied and collected on property within the District subject to the Special Taxes and proceeds, if any, from the sale of such property for delinquency of such Special Taxes and from amounts deposited in the Bond Service Fund, the Redemption Fund and the Reserve Fund, and from certain amounts deposited in the Special Tax Fund. Annual payments of principal of and interest on the Series 2012A Bonds and any other District Bonds shall be equally payable from the Special Taxes collected and remaining after the payment of Administrative Expenses (the “Net Taxes”).

**Limited Liability**

THE SERIES 2012A BONDS AND INTEREST THEREON ARE NOT PAYABLE FROM THE GENERAL FUNDS OF THE DISTRICT OR THE COUNTY. EXCEPT WITH RESPECT TO THE SPECIAL TAXES, NEITHER THE CREDIT NOR THE TAXING POWER OF THE DISTRICT OR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE SERIES 2012A BONDS OR THE INTEREST THEREON, AND, EXCEPT AS PROVIDED IN THE INDENTURE, NO BONDOWNER MAY COMPEL THE EXERCISE OF ANY TAXING POWER BY THE DISTRICT OR THE COUNTY OR FORCE THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2012A BONDS ARE NOT A DEBT OF THE DISTRICT OR THE COUNTY NOR A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THEIR RESPECTIVE PROPERTY OR UPON ANY OF THEIR RESPECTIVE INCOME, RECEIPTS OR REVENUES, EXCEPT THE NET TAXES.

Although the unpaid Special Taxes constitute liens on parcels within the District, they do not constitute a personal indebtedness of any property owner within the District. There is no assurance that any property owner will be financially able to pay the Special Taxes or that it will pay such Special Taxes even though financially able to do so. See “SPECIAL RISK FACTORS” herein for additional information.

### **Pledge of Special Tax Revenues**

The amount of Special Taxes that the District may levy in any year is strictly limited by the Rate and Method of Apportionment of Special Taxes approved by the qualified electors within the District. Pursuant to the Indenture, the District has pledged and assigned to the Paying Agent and the Fiscal Agent, as applicable, all Net Taxes for the payment of principal of, premium, if any, and interest on the District Bonds. “Net Taxes” means Special Taxes and all proceeds from the sale of property collected within the District pursuant to the foreclosure provisions of the Act and the Indenture, less Administrative Expenses. Pursuant to the Act and the Indenture, the District Bonds shall be and are equally secured by a pledge of and lien upon the Net Taxes and all amounts on deposit in the Bond Service Fund, the Reserve Fund, the Redemption Fund and the Special Tax Fund; provided, however, that the pledge of and lien upon amounts on deposit in the Special Tax Fund extends only to the amount of Net Taxes on deposit therein. So long as any of such District Bonds are Outstanding and unpaid, the Net Taxes and the interest thereon may be used only as provided in the Indenture. Net Taxes deposited in the Rebate Fund and the Administrative Expense Fund are not pledged to payment of the District Bonds and neither the Rebate Fund nor the Administrative Expense Fund shall be construed as pledged to the Bondowners. In the event that the amounts in the Rebate Fund are insufficient, there are no assurances that the District will have sufficient moneys to fulfill its obligation to rebate the rebate requirement to the federal government.

### **The Special Taxes**

The District has covenanted in the Indenture that so long as any District Bonds, including the Series 2012A Bonds, are Outstanding, it will cause the levy of the Special Taxes each year up to the maximum permitted rates in an amount which, together with any moneys on deposit in the Special Tax Fund, the Redemption Fund, and the Bond Service Fund, will be sufficient to pay the principal of, premium, if any, and interest on, the District Bonds, Administrative Expenses and any amounts required to maintain the Reserve Fund at the Reserve Requirement. Because each Special Tax levy is limited to the Maximum Special Tax rates authorized by the qualified electors of the District as set forth in the Rate and Method of Apportionment of Special Tax, no assurance can be given that, in the event of Special Tax delinquencies, the foregoing amount will in fact be collected in any given year. See “THE DISTRICT—Rate and Method of Apportionment of Special Tax” and Appendix A—“RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 7 (ALTADENA AREA) OF THE COUNTY OF LOS ANGELES.”

The levy of the Special Taxes and the approval of bonded indebtedness in the amount of \$9,000,000 were authorized by the qualified electors of the District at a special election held on July 14, 1995. The Special Taxes are to be apportioned, levied and collected according to the Rate and Method of Apportionment of Special Tax. See “THE DISTRICT—Rate and Method of Apportionment of Special Tax”.

### **Reserve Fund**

In order to further secure the payment of principal and interest on Series 2012A Bonds, the District established the Reserve Fund, and a portion of the proceeds of the sale of the Series 2012A Bonds will be deposited therein, so that the amount on deposit in the Reserve Fund will equal the Reserve Requirement. The Reserve Requirement is defined in the Indenture as an amount equal to the least of (a) Maximum Annual Debt Service (as defined in the Indenture) on the Outstanding District Bonds, (b) 10% of proceeds of each series of District Bonds Outstanding, or (c) 125% of Average Annual Debt Service (as defined in the Indenture). See Appendix F—“SUMMARY OF THE BOND INDENTURE—Reserve Fund.”

## **Covenant for Superior Court Foreclosure**

In the event of a delinquency in the payment of any installment of Special Taxes, the District is authorized by Section 53356.1 of the Act to order institution of an action in the superior courts of the State to foreclose any lien therefor. As a result of such action the real property subject to the Special Taxes may be ordered to be sold at a judicial foreclosure sale.

Such judicial foreclosure proceedings are not mandatory. However, in the Indenture, the District has covenanted with the Bondowners that, if at any time the Fiscal Agent determines that the balance in the Reserve Fund is less than the Reserve Requirement as the result of the failure of one or more owners of real property to pay Special Taxes when due, the District will commence and diligently prosecute to completion such judicial foreclosure proceedings as may be necessary to restore the Reserve Fund balance to the Reserve Requirement. To date, the District has not initiated actions to commence foreclosure proceedings on any parcels delinquent in the payment of Special Taxes.

If the Reserve Fund is depleted concurrently with the delinquency in the payment of Special Taxes, there could be a default or a delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method of Apportionment of Special Tax, the District may adjust the Special Taxes levied on all property within its boundaries to provide an amount required to pay debt service on the District Bonds and to replenish the Reserve Fund in subsequent periods. See “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” for additional information.

No assurances can be given that a judgment ordering foreclosure will be granted or that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the District is not obligated to purchase or otherwise acquire any lot or parcel of real property sold at the foreclosure sale if there is no other purchaser at such sale. Real property which is subject to a foreclosure judgment remains subject to the lien of the Special Taxes.

If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the County, on behalf of the District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 140 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period under recent legislation may be reduced to 40 days for parcels other than those on which a dwelling unit for not more than four families is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price (equal to the sum of delinquent Special Tax installments, penalties, interest, attorney’s fees and costs of collection and sale) unless a lesser minimum bid price is authorized by the Bondowners.

Additionally, pursuant to Section 53321(d) of the Government Code, the special tax levied against any assessor’s parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other assessor’s parcel within the District by more than ten percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the Special Tax levy to the full amount of the Maximum Special Tax rate in all years.

## Property Values

Based on information provided by the County Assessor, the assessed valuation within the District as of July 1, 2012 was \$217,320,144, which is approximately 31 times the total aggregate principal amount of the Series 2012A Bonds. See “SPECIAL RISK FACTORS—Assessed Values” and “—Additional and Overlapping Debt.” The following table sets forth a ten-year summary of historical assessed values in the District.

**TABLE 1**  
**ASSESSED VALUATION HISTORY**  
**THE DISTRICT**

<i>Fiscal Year</i>	<i>Assessed Value</i>
2012-13	\$217,320,144
2011-12	213,821,465
2010-11	211,394,985
2009-10	208,005,540
2008-09	215,503,343
2007-08	205,287,179
2006-07	189,672,656
2005-06	178,496,014
2004-05	165,312,685
2003-04	149,548,694

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Source: David Taussig & Associates.

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As shown in the table below, the assessed value-to-lien ratios may vary by property. However, approximately 98.5% of the Fiscal Year 2012-13 Special Tax levy is assessed on properties with an assessed value-to-lien ratio in excess of 10 to 1.

**TABLE 2  
COMMUNITY FACILITIES DISTRICT NO. 7  
(ALTADENA AREA)  
OF THE COUNTY OF LOS ANGELES**

**RANGE OF ASSESSED VALUE-TO-LIEN RATIOS**

<i>Value-to-Lien</i> <sup>(1)(2)</sup>	<i>Number of Parcels</i>	<i>Percentage of Parcels</i>	<i>Fiscal Year 2012-13 Special Taxes</i>	<i>Percentage of Fiscal Year 2012-13 Special Taxes</i>
Greater than 50:1	3	1.10%	\$ 6,118	0.97%
Between 40.01:1 and 50:1	35	12.87	76,933	12.14
Between 30.01:1 and 40:1	106	38.97	256,446	40.45
Between 20.01:1 and 30:1	106	38.97	242,187	38.20
Between 10.01:1 and 20:1	18	6.62	42,368	6.68
Less than 10:1	<u>4<sup>(3)</sup></u>	<u>1.47</u>	<u>9,869</u>	<u>1.56</u>
Total	<u>272</u>	<u>100.00%</u>	<u>\$ 633,921</u>	<u>100.00%</u>

<sup>(1)</sup> Assessed Values are based on the Assessor’s Roll as of July 1, 2012, before exemptions.

<sup>(2)</sup> Value-to-Lien Ratio includes the refunding principal amount of \$7,050,000, but excludes any overlapping debt issued by the County and/or other public agencies.

<sup>(3)</sup> Owners of these properties have transferred the taxable value of their previous property to their current property, pursuant to California Propositions 60 and 90.

Source: David Taussig & Associates.

No assurance can be given that the foregoing value-to-lien ratios can or will be maintained during the period of time that the Series 2012A Bonds are outstanding. In addition, the District has no control over the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Special Taxes. The District has no control over the ability of such other entities and districts to issue such additional indebtedness. Such special taxes or indebtedness may have a lien on such property on a parity with the Special Tax. The imposition of such additional indebtedness may reduce the value-to-lien ratio within the District and could reduce the willingness and the ability of the property owners within the District to pay the Special Taxes when due. See “SPECIAL RISK FACTORS—Additional and Overlapping Debt.” See Appendix F—“SUMMARY OF THE BOND INDENTURE.” See also “SPECIAL RISK FACTORS—Assessed Values” and “—Additional and Overlapping Debt.”

**No Additional Bonds; Refunding Bonds**

The District covenants not to issue any other bonds or any other evidence of indebtedness in addition to the Series 2012A Bonds that are on a parity with the Series 2012A Bonds and payable from and secured by the proceeds of the Special Taxes, except for bonds issued to refund the Series 2012A Bonds in whole or in part in compliance with the Indenture. See Appendix F—“SUMMARY OF THE BOND INDENTURE.”

## THE DISTRICT

### General

The following information regarding development and ownership of property in the District has been derived from sources which the District believes to be reliable but is not guaranteed as to accuracy or completeness. This information has been included because it may be considered relevant to an informed evaluation and analysis of the Series 2012A Bonds and the District. The inclusion in this Official Statement of the following information should not be construed to suggest that the Series 2012A Bonds or the Special Taxes that will be used to pay the Series 2012A Bonds are obligations of any owner of property within the District payable other than from Special Taxes and foreclosure proceeds. The Series 2012A Bonds are secured solely by the Net Taxes and other amounts on deposit with the Fiscal Agent. See “SECURITY FOR THE SERIES 2012A BONDS” and “SPECIAL RISK FACTORS.”

The District is located in the southwest portion of the unincorporated area of Altadena. It covers an area of approximately 220 acres, including 108.3 acres of natural open space, and is accessible via surface streets and the 210 Freeway. Residents of the District are zoned to Pasadena Unified School District schools.

Altadena is a census-designated place in Los Angeles County, California. Located at the foot of the San Gabriel Mountains, Altadena is bordered by the Angeles National Forest to the north, and by the affluent cities of Pasadena and La Canada-Flintridge to the east, south and west. Altadena encompasses approximately 8.7 square miles. It is a “bedroom community” of the County with little to no employment base of its own. The majority of the residents are employed outside the community which is convenient to Pasadena, Glendale, Burbank and downtown Los Angeles. The population of Altadena was 92,772 at the 2010 census.

The District contains 272 completed single-family detached dwelling units. The total assessed valuation for the properties located in the District totaled \$217,320,144 as of July 1, 2012, representing a 1.63% increase from the previous fiscal year. The individual lot sizes within the District vary from 5,748 to 36,230 square feet with 98 lots being in excess of 10,000 square feet.

### Summary of Formation Proceedings

Pursuant to the Act, the Board, acting as the legislative body of the District, adopted a resolution on July 13, 1995, stating its intention to establish the District and to authorize the levy of Special Taxes within the boundaries of the District to pay principal of, and interest on, the District Bonds and stating its intent to have the District incur a bonded indebtedness in an amount not to exceed \$9,000,000.

Following public hearings, conducted pursuant to the provisions of the Act, the County adopted a resolution on July 13, 1995 (the “Resolution of Formation”), establishing the District and determining the necessity to have the District incur up to \$9,000,000 of bonded indebtedness. The Resolution of Formation called for a special election of the qualified electors in the District to consider propositions to authorize the levy of the Special Tax and incur the bonded indebtedness.

At a special election held on July 14, 1995, the landowners who comprised the qualified electors of the District authorized the District to incur a bonded indebtedness in an amount not to exceed \$9,000,000 and approved the Rate and Method of Apportionment of the Special Tax to pay the principal of and interest on the District Bonds. See Appendix A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 7 (ALTADENA AREA) OF THE COUNTY OF LOS ANGELES.” The purpose of the indebtedness was to finance the acquisition or construction of various public improvements and facilities located in the District as specified therein.

## **Rate and Method of Apportionment of Special Tax**

Under the Rate and Method of Apportionment of Special Tax (the “Rate and Method”), in each fiscal year, all taxable property within the District is classified either as Developed Property, Undeveloped Property, Taxable Property Owner Association Property or Taxable Public Property and the Board will determine the amount of Special Taxes to be levied for the fiscal year (the “Special Tax Requirement”). Developed Property is all assessor’s parcels of Taxable Property, except for Taxable Public Property and Taxable Property Owner Association Property, for which a building permit has been issued as of March 1 of the fiscal year preceding the fiscal year for which the Special Tax is being levied. Undeveloped Property means all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property not classified as Developed Property. Taxable Public Property is all property owned by a public agency and not exempted by the Rate and Method, and Taxable Property Owner Association Property means any property owned by or dedicated to a property owner association that is not exempted by the Rate and Method. The Special Tax will be levied first on Developed Property up to 91% of the Assigned Special Tax rate set forth in Table 1 (see Appendix A, page A-4) of the Rate and Method (the “Assigned Rate”). If additional monies are needed to satisfy the Special Tax Requirement after levying on all Developed Property at 91% of the Assigned Rate, the Special Tax will be levied second on Undeveloped Property up to 91% of the maximum rate, third on Developed Property and Undeveloped Property up to 100% of the Assigned Rate and up to the maximum Special Tax on Undeveloped Property, respectively, fourth on Developed Property up to the maximum Special Tax rate for any parcels whose maximum rate exceeds the Assigned Rate, and fifth on Taxable Public Property and Taxable Property Owner Association Property up to the maximum Special Tax rate.

The maximum Special Tax rate for Developed Property is the greater of the Assigned Rate for such parcel or the amount derived by multiplying the Taxable Area of such parcel by \$0.424. The Assigned Rates for residential units range from \$2,231 for units of less than 1,950 square feet to \$3,792 for units of more than 3,300 square feet, as set forth in Table 1 of the Rate and Method. The maximum rate for Undeveloped Property, Taxable Public Property and Taxable Property Owner Association Property is \$20,000 per acre.

The Rate and Method does not permit the prepayment of Special Taxes.

The Special Taxes imposed by the District will be billed with property taxes and collected by the Treasurer. When received, such Special Taxes will be deposited with the Fiscal Agent to be held in the Special Tax Fund for the payment of Administrative Expenses and then for payment of debt service or for deposit in the Reserve Fund to restore the balance therein to the Reserve Requirement, subject to the Maximum Special Tax rates authorized by the qualified electors of the District.

Although the Special Taxes will be levied against taxable parcels within the District, they do not constitute a personal indebtedness of the respective property owners. There is no assurance that the property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so. See “SPECIAL RISK FACTORS.”

## **The Project**

The District used the proceeds of District Bonds to finance the costs of constructing and acquiring certain public facilities related to the development within the District.

## **Development Status**

The District is fully developed, with 272 completed single-family detached dwelling units divided into three separate communities. The various floor plans which are representative of the detached single family residences located within the District generally feature three or four bedroom units. The individual lot sizes vary from 5,748 to 36,230 square gross feet with 98 lots being in excess of 10,000 square feet. No additional units are expected to be completed.

## Top Taxpayers

No property owner within the District was responsible for more than 0.41% of the Fiscal Year 2012-13 Special Tax levy.

## Tax Delinquencies

Under the provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Series 2012A Bonds are derived, will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

The following table shows the Special Tax levy and the percentages of delinquent Special Taxes for Fiscal Year 2002-2003 through Fiscal Year 2011-2012.

**TABLE 3  
DELINQUENCY RATE FOR  
FISCAL YEARS 2002-03 THROUGH 2011-12**

<i>Fiscal Year (Ending June 30)</i>	<i>Special Tax Levied</i>	<i>Collections<sup>(1)</sup></i>	<i>Delinquency<sup>(1)</sup></i>	<i>Delinquency Rate<sup>(1)(2)</sup></i>	<i>Redemption Roll Collections<sup>(3)</sup></i>	<i>Total Collection<sup>(4)</sup></i>	<i>Percent Collected<sup>(5)</sup></i>
2002-03	\$656,828	\$634,136	\$22,691	3.45%	\$59,131	\$693,267	105.55%
2003-04	631,022	614,923	16,099	2.55	32,634	647,558	102.62
2004-05	634,177	614,028	20,150	3.18	16,719	630,747	99.46
2005-06	640,519	616,647	23,872	3.73	26,050	642,697	100.34
2006-07	646,924	617,545	29,379	4.54	28,409	645,953	99.85
2007-08	646,924	603,549	43,374	6.70	21,474	625,023	96.61
2008-09	633,985	601,647	32,338	5.10	50,222	651,869	102.82
2009-10	627,646	609,308	18,337	2.92	54,872	664,181	105.82
2010-11	633,921	614,850	19,071	3.01	29,920	644,770	101.71
2011-12	633,921	616,176	17,746	2.80	17,329	633,505	99.93

<sup>(1)</sup> As of the close of the tax roll for each fiscal year shown in the table.

<sup>(2)</sup> Delinquency column divided by Special Tax Levied column.

<sup>(3)</sup> Redemption Roll collections received during each fiscal year shown in the table.

<sup>(4)</sup> Collections column plus Redemption Roll Collections column.

<sup>(5)</sup> Total Collections column divided by Special Tax Levied column.

Source: Treasurer and Tax Collector of the County of Los Angeles.

See “SECURITY FOR THE SERIES 2012A BONDS—The Special Taxes” and “—Covenant for Superior Court Foreclosure” for a discussion of the provisions which apply, and procedures which the District is obligated to follow, in the event of delinquency in the payment of Special Tax installments.

## Debt Service Coverage

The following table shows the maximum and net amounts of revenues which would be derived in the bond years 2013 through 2029 if Special Taxes were levied and collected when due at the Maximum Special Tax rates permitted by the Rate and Method of Apportionment of Special Tax on Developed Property. The following table also sets forth the coverage which the Net Taxes would provide for debt service on the Series 2012A Bonds, expressed in percentages, derived by dividing Net Taxes by the amount of debt service

on the Series 2012A Bonds for appropriate bond years. As set forth in footnote 4 to Table 4, Government Code Section 53321(d) may restrict the ability of the District to increase the tax levy to the amount shown as “Maximum Special Taxes” in Table 4. See “SPECIAL RISK FACTORS—Tax Delinquencies” for information regarding delinquent Special Taxes. See also “—Special Tax Levy” above for additional information.

**TABLE 4  
DEBT SERVICE COVERAGE FROM DEVELOPED PROPERTY**

<i><b>Bond Year Ending (September 1)</b></i>	<i><b>Maximum Special Taxes<sup>(1)</sup></b></i>	<i><b>Estimated Administrative Expenses</b></i>	<i><b>Maximum Net Taxes<sup>(2)</sup></b></i>	<i><b>Aggregate Debt Service<sup>(3)</sup></b></i>	<i><b>Coverage<sup>(4)</sup></b></i>
2013	\$916,014	\$25,000	\$891,014	\$563,167	1.58
2014	916,014	25,000	891,014	564,963	1.58
2015	916,014	25,000	891,014	565,288	1.58
2016	916,014	25,000	891,014	564,250	1.58
2017	916,014	25,000	891,014	562,250	1.58
2018	916,014	25,000	891,014	563,819	1.58
2019	916,014	25,000	891,014	563,781	1.58
2020	916,014	25,000	891,014	562,531	1.58
2021	916,014	25,000	891,014	565,019	1.58
2022	916,014	25,000	891,014	561,019	1.59
2023	916,014	25,000	891,014	561,156	1.59
2024	916,014	25,000	891,014	565,219	1.58
2025	916,014	25,000	891,014	562,419	1.58
2026	916,014	25,000	891,014	564,019	1.58
2027	916,014	25,000	891,014	559,819	1.59
2028	916,014	25,000	891,014	564,400	1.58
2029	916,014	25,000	891,014	562,950	1.58

(1) The Maximum Special Tax is the greater of the amount shown in Table 1 of the Rate and Method of Apportionment of Special Tax or the Backup Special Tax. The amount shown above reflects the Table 1 amount with respect to all Developed Property in the District as of March 1, 2012. As provided in the Rate and Method of Apportionment of Special Tax, Developed Property is based on the building permits issued as of March 1 of each year.

(2) Net Taxes are equal to Maximum Special Taxes less estimated Administrative Expenses. For purposes of this table, Administrative Expenses are assumed to be \$25,000 without any adjustments for future years.

(3) See “DEBT SERVICE SCHEDULE”.

(4) Net Taxes divided by aggregate debt service. Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor’s parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor’s parcel within the District by more than ten percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the amount shown as “Maximum Special Taxes” and “Maximum Net Taxes” above.

Source: David Taussig & Associates, Inc.

The following table shows the Special Taxes levied for fiscal year 2012-2013 and the percentages of such respective Special Tax amounts to be paid by the property owners within the District. The Special Taxes assessed in fiscal year 2012-2013 are approximately 69.2% of the maximum Special Tax on Developed Property.

**TABLE 5**  
**SPECIAL TAX LEVY SUMMARY – FISCAL YEAR 2012-13**

<i>Tax Class</i>	<i>Land Use Type</i>	<i>Unit Size</i>	<i>Number of Units</i>	<i>Maximum Annual Special Tax Rate</i>	<i>FY 2012-13 Special Tax Rate</i>	<i>FY 2012-13 Total Maximum Annual Taxes<sup>(1)</sup></i>	<i>FY 2012-13 Total Special Tax Levy</i>
1	Residential Property	Greater than or equal to 3,300 sq.ft.	123	\$3,792.00	\$2,624.23	\$466,416	\$322,780
2	Residential Property	3,075 - 3,299 sq.ft.	31	3,660.00	2,532.88	113,460	78,519
3	Residential Property	2,850 - 3,074 sq.ft.	0	3,401.00	0.00	0	0
4	Residential Property	2,625 - 2,849 sq.ft.	40	3,143.00	2,175.09	125,720	87,004
5	Residential Property	2,400 - 2,624 sq.ft.	46	2,885.00	1,996.54	132,710	91,841
6	Residential Property	2,175 - 2,399 sq.ft.	1	2,626.00	1,817.30	2,626	1,817
7	Residential Property	1,950 - 2,174 sq.ft.	31	2,422.00	1,676.13	75,082	51,960
8	Residential Property	Less than 1,950 sq.ft.	0	2,231.00	0.00	0	0
9	Non-Residential Property	n/a	<u>0</u>	<u>20,000.00</u>	<u>0.00</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>			<u>272</u>	n/a	n/a	\$916,014	\$633,921

<sup>(1)</sup> The Maximum Special Tax is the greater of the amount shown in Table 1 of the Rate and Method of Apportionment of Special Tax or the Backup Special Tax. The amount shown above reflects the Table 1 amount with respect to all Developed Property in the District as of March 1, 2012. As provided in the Rate and Method of Apportionment of Special Tax, Developed Property is based on the building permits issued as of March 1 of each year.

Source: David Taussig & Associates, Inc.

## **SPECIAL RISK FACTORS**

*The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Series 2012A Bonds. The discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Series 2012A Bonds, and the Official Statement should be read in its entirety for the purpose of making an informed investment decision. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failure to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Series 2012A Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.*

### **General Risks of Real Estate Investments**

The Bondowners will be subject to the risks generally incident to an investment in real estate, including (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of homes in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including zoning laws) and fiscal policies; and (iii) natural disasters (including earthquakes and floods), which may result in uninsured losses.

### **No General Obligation of the County or District**

The District's obligations under the Series 2012A Bonds and under the Indenture are limited obligations of the District and not of the County, and are payable equally and solely from Net Taxes and amounts in the Special Tax Fund, the Bond Service Fund, the Redemption Fund and the Reserve Fund. The Series 2012A Bonds are not general or limited obligations of the County, but are limited obligations of the District payable solely from the revenues and funds pledged therefor and under the Indenture. Neither the faith and credit of the District, the County or the State of California or any political subdivision thereof is pledged to the payment of the Series 2012A Bonds.

### **Assessed Values**

The value of the property within the District is a critical factor in determining the investment quality of the Series 2012A Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations or other events will adversely impact the value of the land upon which the Special Taxes are levied. See "THE DISTRICT—Estimated Assessed Value-to-Lien Ratios."

The taxable property in the District has an assessed value of \$217,320,144 for Fiscal Year 2012-13. The assessed value of property within the District does not necessarily reflect the market value of such property. Prospective purchasers of the Bonds should not assume that a home within the District could be sold for its assessed value at a foreclosure sale for delinquent Special Taxes.

Under the Act, property within the District that is delinquent may be sold for the amount of the delinquent Special Tax, plus penalties and interest thereon. A 10% penalty is charged after the date Special Taxes are due and interest accrues at 18% per annum from and after the July 1 following the delinquency date. Prospective purchasers of the Series 2012A Bonds should not assume that any property within the District could be sold at a price equal to the assessed value or the assessed value at a foreclosure sale for delinquent Special Taxes or that any bid would be received for such property or, if a bid is received, that such bid would

be sufficient to pay such delinquent Special Taxes, including penalties and interest accrued at the statutory rate. The actual value of the property is subject to future events which might affect property values. Reductions in the District property values could occur due to a downturn in the economy, relocation of employers out of the area, physical events such as presence of hazardous substances, earthquakes or floods or other events all of which would adversely impact the security underlying the Special Tax.

### **Hazardous Materials**

The estimated appraised values referred to above do not take into account the possible reduction in marketability and value of any of the taxed parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel or from any other conditions of the property, subsoil, or structures that would impact the development or use of the property. The District is not aware of any conditions of the property, subsoil, or structures, including any hazardous substance condition of the property within its boundaries, that impacts the value of the property within the District. In the event adverse conditions arise with respect to any of the taxed parcels from any of the foregoing conditions, whether now present or arising in the future, such adverse conditions could significantly affect the value thereof that is realizable at a foreclosure sale for delinquent Special Taxes.

### **Natural Disasters**

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods or other natural disasters. Southern California is a seismically active area. There is one known fault within the District referred to as the “Sierra Madre Fault,” and several other faults which could potentially damage property in the District. Geotechnical tests performed in 1992 concluded that the Sierra Madre Fault has not moved within the last 10,000 years. Seismic activity from this or other faults represents potential risk for damage to buildings, roads, bridges and property within the District in the event of an earthquake. There is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes. The improvements within the District have been built in accordance with applicable building codes, including requirements relating to seismic safety.

### **Additional and Overlapping Debt**

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by David Taussig & Associates dated as of June 30, 2012. The Debt Report is included for general information purposes only. The District believes such information to be reliable but makes no representations as to its completeness or accuracy.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long term obligations generally are not payable from property taxes, assessments or special taxes on land in the District. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the District or other public agencies at any time.

**COUNTY OF LOS ANGELES  
COMMUNITY FACILITIES DISTRICT NO. 7  
DIRECT AND OVERLAPPING DEBT SUMMARY**

<i>Overlapping District</i>	<i>FY 2011-12 Total Levy<sup>(1)</sup></i>	<i>FY 2012-13 Levy on Parcels in District<sup>(2)</sup></i>	<i>Percent of Levy on Parcels in District</i>	<i>Total Debt Outstanding<sup>(3)</sup></i>	<i>District Share of Total Debt Outstanding</i>
County Park District	\$80,684,185	\$ 6,779	0.01%	\$170,725,000	\$ 14,344
Pasadena Unified School District	60,622,110	240,189	0.40	271,585,000	1,076,037
Pasadena Area Community College District	24,245,407	42,240	0.17	109,110,105	190,092
Metropolitan Water District	94,810,471	7,107	0.01	196,545,000	14,733
				Total Overlapping Debt	<u>\$ 1,295,206</u>
				Plus: District Bonded Indebtedness	<u>7,050,000</u>
				Estimated Share of Direct and Overlapping Debt	<u>\$ 8,345,206</u>

<sup>(1)</sup> Per County of Los Angeles Auditor-Controller.

<sup>(2)</sup> The Levy on Parcels in CFD No. 7 applicable to Pasadena Unified School District, Pasadena Community College District and Metropolitan Water District were estimated by multiplying the Fiscal Year 2012-13 assessed value of parcels subject to the CFD No. 7 special tax by the applicable overlapping debt Fiscal Year 2011-12 tax rate. Assessed valuation provided by County of Los Angeles Assessor's Office. Tax rates provided by County of Los Angeles Auditor-Controller's Office. The Levy on Parcels in CFD No. 7 applicable to County Park District based on actual amounts levied on parcels subject to CFD No. 7.

<sup>(3)</sup> Total Debt Outstanding as of June 30, 2012.

Source: David Taussig & Associates, Inc.

**Payment of the Special Tax is not a Personal Obligation of the Landowners**

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the owner.

**Parity Taxes and Special Assessments**

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed 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 regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. The District, however, 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 within the District. Such additional indebtedness, if issued, would be required to satisfy applicable statutory requirements with respect to the issuance of such indebtedness. Further, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments will have a lien on such property on a parity with the Special Taxes. The imposition of additional indebtedness could reduce the willingness and the ability of the property owners within the District to pay the Special Taxes when due. See “—Additional and Overlapping Debt” above.

The District has covenanted not to issue any obligations payable in whole or in part from the Net Taxes other than refunding bonds. However, the District has no control over the amount of additional debt payable from taxes or assessments on all or a portion of the property within the District that may be issued in the future by other governmental entities or districts, including but not limited to a successor city, school districts, water districts or any other district having jurisdiction over all or a portion of the land within the District. Nothing prevents the owners of land within the District from consenting to the issuance of additional debt by other public agencies which would be secured by taxes or assessments on a parity with the Special

Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will have a lien on the property within the District on a parity with the lien of the Special Taxes.

Accordingly, the liens on the property within the District could greatly increase without any corresponding increase in the value of the property within the District and thereby reduce the ratio that exists at the time the Series 2012A Bonds are issued between the value of the property and the debt secured by the taxes and assessments thereon. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within the District to pay the Special Taxes when due.

### **Insufficiency of Special Taxes**

The Rate and Method of Apportionment of Special Tax governing the levy of the Special Tax provides that Exempt Property is not subject to the Special Tax. The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Series 2012A Bonds when due and a default could occur with respect to the payment of such principal and interest.

### **Disclosures to Future Purchasers**

The District has recorded a Notice of Special Tax Lien in the office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a home or commercial facility or the lending of money thereon. Effective July 1, 1993, California law requires that in the case of the transfer of real property subject to a continuing lien securing the levy of special taxes the seller must make a good faith effort to notify the prospective purchaser of the lien in a format prescribed by statute. Failure to disclose the existence of the Special Taxes may affect the willingness and ability of future owners of land within the District to pay the Special Taxes when due.

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

**General.** The ability of the District to foreclose the lien of delinquent unpaid Special Tax 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.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Series 2012A Bonds are outstanding.

**FDIC.** In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District 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. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The District 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 District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Series 2012A Bonds.

## **Bankruptcy and Foreclosure**

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Series 2012A Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings 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 could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Secondly, the Bankruptcy Code might prevent moneys on deposit in the Special Tax Fund from being applied to pay interest on the Series 2012A Bonds and/or to redeem Series 2012A Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in procuring Superior Court foreclosure proceedings. If enough parcels were involved in bankruptcy proceedings, court delays would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Series 2012A Bonds and the possibility of delinquent tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the Series 2012A Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

## **Funds Invested in the County Investment Pool**

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county and held that a state statute purporting to create a priority secured lien on a portion of such moneys was ineffective unless such moneys could be traced. Following payment of the Special Taxes to the Treasurer, such funds may be invested in the name of the Fiscal Agent for a period of time in the County Investment Pool. In the event of a petition for the adjustment of County debts under Chapter 9 of the Federal Bankruptcy Code, a court might hold that the Bondowners do not have a valid and/or prior lien on the Special Taxes where such amounts are deposited in the County Investment Pool and may not provide the Bondowners with a priority interest in such amounts. In that circumstance, unless the Bondowners could "trace" the funds that have been deposited in the County Investment Pool, the Bondowners would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Bondowners could successfully so "trace" the Special Taxes.

## **No Acceleration Provisions**

The Series 2012A Bonds do not contain a provision allowing for the acceleration of the Series 2012A Bonds in the event of a payment default or other default under the terms of the Series 2012A Bonds or the Indenture. Pursuant to the Indenture, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies described under Appendix F—"SUMMARY OF THE BOND INDENTURE—Events of Default and Remedies." So long as the Series 2012A Bonds are in

book-entry form, DTC will be sole Bondowner and will be entitled to exercise all rights and remedies of Bondowners.

### **Loss of Tax Exemption**

As discussed under the caption “CONCLUDING INFORMATION—Tax Matters,” interest on the Series 2012A Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2012A Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Indenture. Should such an event of taxability occur, the Series 2012A Bonds are not subject to a special redemption and will remain Outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture.

### **Proposition 218**

An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes otherwise available to the District to pay the principal of and interest on the Series 2012A Bonds as described below.

Among other things, Section 3 of Article XIIC states that “...the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that Article XIIC has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Series 2012A Bonds.

It may be possible, however, for voters or the District or the Board of Directors acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Series 2012A Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Series 2012A Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within the District, unless, (i) the District receives a certificate from one or more independent consultants which, when taken together, certifies that, on the basis of the parcels of land and improvements

existing in the District as of July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds Outstanding will equal at least 110% of the sum on the estimated administrative expenses and debt service in that Bond Year on all Bonds to remain Outstanding after the reduction is approved, and (ii) the District hereby finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. In connection with the foregoing covenant, the District has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Series 2012A Bonds. The District also has covenanted that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants. See “SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS—Special Taxes.”

The interpretation and application of Article XIIC and Article XIID 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 or the timeliness of any remedy afforded by the courts. See “—Limitations on Remedies.”

### **Ballot Initiatives**

Articles XIII A, XIII B, XIIC and XIID were adopted pursuant to measures 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 provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. 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.

### **Secondary Markets and Prices**

The Underwriter will not be obligated to repurchase any of the Series 2012A Bonds, and no representation is made concerning the existence of any secondary market for the Series 2012A Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2012A Bonds, and no assurance can be given that the initial offering prices for the Series 2012A Bonds will continue for any period of time.

### **Enforceability of Remedies**

The remedies available to the Fiscal Agent and the Bondowners upon a default under the Indenture or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Series 2012A Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Series 2012A Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. See “—Bankruptcy and Foreclosure” above.

Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

## CONCLUDING INFORMATION

### No Rating

The District has not made, and does not contemplate making, application to any rating organization for a rating on the Series 2012A Bonds.

### Underwriting

The Series 2012A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated dba “Stone & Youngberg, a division of Stifel Nicolaus” (the “Underwriter”). The Underwriter has agreed to purchase the Series 2012A Bonds at an aggregate purchase price of \$6,939,019.80 (equal to the aggregate principal amount of the Series 2012A Bonds less a net original issue discount of \$59,867.70 and less an Underwriter’s discount of \$51,112.50). The Underwriter may offer and sell the Series 2012A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

### Certain Legal Matters

Legal matters incident to the issuance of the Series 2012A Bonds will be subject to the final approving opinion of Squire Sanders (US) LLP, Los Angeles, California, substantially in the form contained in Appendix B. Certain legal matters will be passed upon for the District by County Counsel of the County. Certain legal matters will be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. The various legal opinions to be delivered concurrently with the delivery of the Series 2012A Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

### Tax Matters

In the opinion of Squire Sanders (US) LLP, Bond Counsel, under existing law: (i) interest on the Series 2012A 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 not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Series 2012A Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2012A Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the District contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2012A Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the District’s certifications and representations or the continuing compliance with the District’s covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Series 2012A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations (“Regulations”) under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the District may cause loss of such status and result in the interest on the Series 2012A Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012A Bonds. The District has covenanted to take the actions required of it for the interest on the Series 2012A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2012A Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market value of the Series 2012A Bonds.

A portion of the interest on the Series 2012A Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2012A Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2012A Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2012A Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2012A Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2012A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2012A Bonds will not have an adverse effect on the tax status of interest on the Series 2012A Bonds or the market value or marketability of the Series 2012A Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2012A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, both the American Jobs Act of 2011 proposed by President Obama on September 12, 2011, and introduced into the Senate on September 13, 2011, and the federal budget for fiscal year 2013 as proposed by President Obama on February 13, 2012, contain provisions that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the Series 2012A Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the Series 2012A Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2012A Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2012A Bonds ends with the issuance of the Series 2012A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the owners of the Series 2012A Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2012A Bonds, under current IRS procedures, the IRS will treat the District as the taxpayer and the beneficial owners of the Series 2012A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2012A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2012A Bonds.

***Original Issue Discount and Original Issue Premium.*** Certain of the Series 2012A Bonds ("Discount Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2012A Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. The amount of OID that accrues each year to a corporate owner of a Discount Bond is taken into account in computing the corporation's liability for federal alternative minimum tax. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2012A Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

***Owners of Discount Bonds and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount Bonds or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.***

## **No Litigation**

The District is not aware of any litigation pending or threatened concerning the validity of the Series 2012A Bonds, the formation of the District or contesting the authority of the District to levy and collect the Special Taxes or contesting the District's authority to issue the Series 2012A Bonds.

## **Judicial Validation**

The County has obtained two Superior Court validation judgments relating to the Series 1999A Bonds. In 1995, the County filed a complaint to validate the issuance of the Series 1999A Bonds and the levy of the Special Taxes. No persons appeared in opposition to the County's validation action, and on May 9, 1996 the Court entered judgment, finding, among other items, that the formation of the District was valid and in accordance with the Act, the Special Tax was duly approved by the qualified electors of the District and constitutes a valid and binding special tax under the Constitution of the State of California, and that the provisions of the resolution forming the District and the bonds to be issued thereunder are valid, legal and binding.

In May, 1998, the County filed a second validation action to validate the Funding and Acquisition Agreement pursuant to which the District acquired the public improvements with the proceeds of the Series 1999A Bonds. The County's action was opposed only by Cantwell-Anderson, Inc. ("Cantwell"), the limited partner of Southwest Diversfield La Vina Ltd., one of the original developers of property within the District. On motion of the County, the Court entered judgment in favor of the County because the issues raised by Cantwell were determined to be barred by the res judicata effect of the prior 1995 validation judgment. Both judgments are final with no right of appeal.

## **Miscellaneous**

Bond Counsel and Underwriter's Counsel will receive compensation contingent upon the sale and closing of the Series 2012A Bonds.

All of the preceding summaries of the Indenture, other applicable legislation, agreements and documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Series 2012A Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The preparation and delivery of this Official Statement has been duly authorized by the Board, acting in its capacity as the legislative body of the District.



## APPENDIX A

### Rate and Method of Apportionment of Special Tax For County of Los Angeles Community Facilities District No. 7

A Special Tax (the “Special Tax”) shall be levied on and collected from property within Community Facilities District No. 7 (Altadena Area) of the County of Los Angeles, (“CFD No. 7”) each Fiscal Year, in an amount determined by the Board of Supervisors of the County of Los Angeles through the application of the appropriate Special Tax for “Developed Property,” “Undeveloped Property,” “Taxable Public Property,” and “Taxable Property Owner Association Property” as described below. All of the property in CFD No. 7, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“**Act**” means the Mello-Roos Community Facilities Act of 1982 as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

“**Administrative Expenses**” shall mean any ordinary and necessary expenses of the County to carry out its duties as the legislative body of CFD No. 7, including but not limited to the levy and collection of special taxes, an allocable share of the salaries of the County staff directly related thereto, and a proportionate amount of County general administrative overhead related thereto, any amounts paid by the County from general funds of the County for the expenses of CFD No. 7, legal expenses, the fees and expenses of the Fiscal Agent incurred in connection with its duties under the Fiscal Agent agreement, and all other costs and expenses of the County in any way related to the administration of CFD No. 7.

“**Assessor’s Parcel**” means a lot or parcel shown in an Assessor’s Parcel Map with an assigned Assessor’s Parcel number; provided, however, that when two or more Assessor’s Parcel numbers are assigned to a single recorded lot, such lot shall be treated as a single Assessor’s Parcel.

“**Assessor’s Parcel Map**” means an official map of the Assessor of the County of Los Angeles designating parcels by Assessor’s Parcel number.

“**Assigned Special Tax**” means the Special Tax for Land Use Classes 1 through 9, as determined by reference to Table I of Section C below.

“**Backup Special Tax**” means the Special Tax applicable to each Assessor’s Parcel of Developed Property as determined in accordance with Section C.1.b below.

“**Board**” means the Board of Supervisors of the County of Los Angeles, acting as the legislative body of CFD No. 7.

“**County**” means the County of Los Angeles.

“**Developed Property**” means for any Fiscal Year all Assessor’s Parcels of Taxable Property, except for Taxable Public Property and Taxable Property Owner Association Property, for which a building permit has been issued as of March 1 of the Fiscal Year preceding the Fiscal Year for which the Special Tax is being levied but after the adoption of the Resolution of Formation for CFD No. 7.

“**Fiscal Year**” means the period starting July 1 and ending on the following June 30.

**“Final Residential Subdivision”** means a subdivision of property subject to residential development through the recordation of a condominium plan, final map, parcel map or lot line adjustment which permits the issuance of building permits.

**“Land Use Class”** means the classes listed in Table I below.

**“Maximum Special Tax”** means the maximum Special Tax, determined in accordance with Section C, that can be levied by the Board in any Fiscal Year for Undeveloped Property, each Land Use Class of Developed Property, Taxable Property Owner Association Property and Taxable Public Property, as applicable.

**“Non-Residential Property”** means Developed Property that has been developed for other than residential use.

**“Property Owner Association Property”** means any property within the boundaries of CFD No. 7 owned by or dedicated to a property owner association.

**“Proportionately”** shall mean for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property. Proportionately for each other classification of Taxable Property (i.e. Undeveloped Property, Property Owner Association Property and Taxable Public Property) shall mean that the ratio of the actual Special Tax levy to the applicable Maximum Special Tax is equal for all Assessor’s Parcels within the same classification. For example, for Undeveloped Property, Proportionately shall mean that the ratio of the actual Special Tax levy to the Maximum Special Tax for Undeveloped Property is equal for all Assessor’s Parcels of Undeveloped Property.

**“Public Property”** means any property within the boundaries of CFD No. 7 owned by or dedicated to the federal government, State of California, local government, or other public agency.

**“Residential Lot”** means an Assessor’s Parcel in a Final Residential Subdivision for which a building permit may be issued.

**“Residential Property”** means Developed Property that has been developed for residential uses and assigned to Land Use Classes 1 through 8 designated in Table I below.

**“Special Tax”** means the Special Tax for CFD No. 7 to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property to fund the Special Tax Requirement.

**“Special Tax Requirement”** means that amount required in any Fiscal Year for CFD No. 7 to pay: (1) debt service on all bonds or other periodic costs on all bonds or other indebtedness issued by or for the benefit of CFD No. 7, (2) the costs of remarketing, credit enhancement, and liquidity facility fees related to any such bonds or indebtedness (including such fees for instruments that serve as the basis of a reserve fund in lieu of cash related to any such indebtedness), (3) the cost of acquisition or construction of authorized facilities of CFD No. 7, (4) Administrative Expenses, (5) costs associated with the release of funds from an escrow account, if any, established with respect to any such bonds or indebtedness of CFD No. 7, (6) any amounts required to establish or replenish any reserve funds or to accumulate funds for future bond payments, and (7) an amount equal to the anticipated delinquent Special Taxes for such Fiscal Year, as determined by the Board.

**“Taxable Area”** means the square footage of each Assessor’s Parcel of Developed Property subject to the Backup Special Tax as determined in accordance with Section C.1.b. below.

**“Taxable Property”** means all Assessor’s Parcels within the boundaries of CFD No. 7 which are not exempt from the Special Tax pursuant to law or Section E below.

**“Taxable Property Owner Association Property”** means all Property Owner Association Property which has not been exempted pursuant to Section E.

**“Taxable Public Property”** means all Public Property within the boundaries of CFD No. 7 which was acquired by a public agency through a negotiated transaction, gift or devise, including any dedication contingent upon approval of development plans which has not been exempted pursuant to Section E.

**“Undeveloped Property”** means all Taxable Property within the boundaries of CFD No. 7, exclusive of Taxable Public Property and Taxable Property Owner Association Property, not classified as Developed Property.

## **B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 7 shall be classified as Developed Property, Undeveloped Property, Taxable Property Owner Association Property or Taxable Public Property, and shall be subject to the Special Tax in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

For purposes of determining the applicable Assigned Special Tax for Developed Property, each such Assessor’s Parcel shall be assigned to one of the Land Use Classes designated in Table I below. Residential Property shall be assigned to Land Use Classes 1 through 8 based on the square footage for the improvements that will be located on an Assessor’s Parcel determined from all building permits issued after the adoption of the Resolution of Formation for such Assessor’s Parcel. Non-Residential Property shall be assigned to Land Use Class 9. The square footage or acreage of an Assessor’s Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property or Taxable Public Property shall be determined by reference to the Assessor’s Parcel Map for such Assessor Parcel.

## **C. MAXIMUM SPECIAL TAX RATE**

### **1. Developed Property**

The Maximum Special Tax for each Assessor’s Parcel classified as Developed Property shall be the greater of (i) the amount derived by multiplying the Taxable Area of such Assessor’s Parcel by the Backup Special Tax or (ii) the amount derived by the application of the Assigned Special Tax.

#### **a. Assigned Special Tax**

The Assigned Special Tax for each Land Use Class is shown below in Table I.

**TABLE I**

**Assigned Special Taxes for Developed Property in  
Community Facilities District No. 7  
(Altadena Area)**

<b>Land Use Class:</b>	<b>Description</b>	<b>Designation</b>	<b>Assigned Special Tax</b>
1	Residential Property	≥ 3,300 sq. ft.	\$3,792 per unit
2	Residential Property	3,075 - 3,299 sq. ft.	\$3,660 per unit
3	Residential Property	2,850 - 3,074 sq. ft.	\$3,401 per unit
4	Residential Property	2,625 - 2,849 sq. ft.	\$3,143 per unit
5	Residential Property	2,400 - 2,624 sq. ft.	\$2,885 per unit
6	Residential Property	2,175 - 2,399 sq. ft.	\$2,626 per unit
7	Residential Property	1,950 - 2,174 sq. ft.	\$2,422 per unit
8	Residential Property	< 1,950 sq. ft.	\$2,231 per unit
9	Non-Residential Property	N/A	\$20,000 per acre

**b. Backup Special Tax**

The Backup Special Tax for each Assessor's Parcel of Developed Property is equal to \$0.424 multiplied by the Taxable Area for such Assessor's Parcel, provided, however, that the Backup Special Tax may only be utilized if the Assigned Special Taxes which could be levied against Developed Property plus the Maximum Special Taxes which could be levied against Undeveloped Property are less than the sum of 110% of the gross debt service on the outstanding bonds and Administrative Expenses.

Taxable Area for Assessor's Parcels of Developed Property less than or equal to 11,000 square feet in size and assigned to Land Use Classes 1 through 8 shall be equal to the actual square footage of the Assessor's Parcel.

It is anticipated that CFD No. 7 will contain 53 Assessor's Parcels of Developed Property which exceed 11,000 square feet in size. When a Final Residential Subdivision is recorded, the square footage of each Residential Lot shall be determined. In lot number order, as indicated on the Final Residential Subdivision, each Residential Lot which exceeds 11,000 square feet in size shall be compared to the square footages in the table below. If there exists a square footage in Table II below which is greater than or equal to the square footage of such Residential Lot, the Taxable Area shall equal 11,000 square feet; the smallest square footage in Table II below which is greater than or equal to the square footage of such

Residential Lot shall be assigned to that lot and then excluded from the above analysis for any subsequent parcels.

If there only exists square footages in Table II below which are less than the square footage of such Residential Lot, the Taxable Area shall equal the sum of 11,000 square feet and the difference of the square footage of the Residential Lot and the largest square footage remaining in Table II.

If there does not exist a square footage in Table II below which is still available for assignment to that lot, the Taxable Area shall equal the actual square footage of the Assessor's Parcel.

Taxable Area for Assessor's Parcels of Developed Property assigned to Land Use Class 9 shall be equal to the actual square footage of the Assessor's Parcel.

**TABLE II**

**Projected Square Footages for Lots Greater Than 11,000 SF  
Community Facilities District No. 7  
(Altadena Area)**

11,006	11,788	12,658	13,539	15,898	19,338	21,282
11,127	11,876	12,702	13,845	16,062	19,386	21,455
11,150	11,914	12,707	13,400	17,588	19,663	31,218
11,164	12,008	13,019	14,036	17,834	19,712	36,226
11,220	12,247	13,029	14,084	18,013	20,276	43,282
11,315	12,270	13,051	14,167	19,166	20,281	
11,384	12,441	13,164	14,613	19,314	20,291	
11,582	12,518	13,512	14,659	19,328	20,856	

**2. Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property**

The Maximum Special Tax for Undeveloped Property shall be \$20,000 per acre.

The Maximum Special Tax for Taxable Property Owner Association Property shall be \$20,000 per acre.

The Maximum Special Tax for Taxable Public Property shall be \$20,000 per acre.

### **3. Reduction in Maximum Special Tax**

The Maximum Special Taxes for Developed Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property set forth herein have been calculated based upon the issuance of \$9,000,000 in principal amount of bonds or other indebtedness (the "Maximum Principal Amount of Indebtedness") and maximum annual debt service on such indebtedness of \$739,876 (the "Maximum Annual Debt Service"). In the event that the Board determines by resolution that the principal amount of bonds or other indebtedness to be issued by CFD No. 7 shall be less than the Maximum Principal Amount of Indebtedness, the Assigned Special Tax, Backup Special Tax, Maximum Special Tax for Undeveloped Property, Maximum Special Tax for Taxable Property Owner Association Property, and the Maximum Special Tax for Taxable Public Property shall be reduced in proportion to the reduction in the Maximum Annual Debt Service, but in no event less than an amount determined by the Treasurer of the County to be necessary to provide the sum of 110% coverage on gross debt service on the remaining principal amount of authorized bonds and other indebtedness plus Administrative Expenses for a Fiscal Year. CFD No. 7 shall thereafter take all steps necessary to record an addendum to the Notice of Special Tax in order to record the reduced Special Tax amounts.

#### **D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 1994-95 and for each following Fiscal Year, the Board shall determine the amount of money to be collected from Taxable Property in CFD No. 7. The Board shall levy the Special Tax as follows until the amount of the levy equals the Special Tax Requirement, subject to the limitations specified in Section 53321 of the Act.

**First:** The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property, up to 91 percent of the Assigned Special Tax for each Land Use Class of Developed Property determined by reference to Table I;

**Second:** If additional monies are needed after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, up to 91 percent of the Maximum Special Tax for Undeveloped Property;

**Third:** If additional monies are needed after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property and Undeveloped Property shall be increased in equal percentages from the amounts calculated pursuant to Steps 1 and 2 above, up to 100 percent of the applicable Assigned Special Tax for Developed Property and up to the Maximum Special Tax for Undeveloped Property;

**Fourth:** If additional monies are needed after the first three steps have been completed and if the conditions set forth in the first paragraph of Section C.1.b above have been satisfied, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

**Fifth:** If additional monies are needed after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property and Taxable Public Property up to the Maximum Special Tax for Taxable Property Owner Association Property and up to the Maximum Special Tax for Taxable Public Property.

**E. EXEMPTIONS**

The Board shall not levy a Special Tax on the following:

- 1) Property owned by entities of the State of California, federal, local government, or other public agencies except as otherwise provided in Sections 53317.3 and 53317.5 of the California Government Code;
- 2) Property designated for the following uses:
  - 4.32 acres of land to be dedicated to or conveyed to or acquired by a property owner association for purposes of a recreation lot.
  - 18.50 acres of land to be dedicated to or conveyed to or acquired by a property owner association for purposes of open space and slopes.
  - 20.56 acres of land to be dedicated to or conveyed to or acquired by a property owner association for purposes of private streets.
  - 2.00 acres of land to be dedicated to or conveyed to or acquired by the County of Los Angeles Flood Control District for purposes of a debris basin.
  - 3.00 acres of land to be dedicated to or conveyed to or acquired by the County of Los Angeles Flood Control District for purposes of a detention basin.
  - 0.57 acres of land to be dedicated to or conveyed to or acquired by the County for purposes of public streets (Lincoln Avenue).

All such property will be allocated on a first in time basis. If the total number of acres of land conveyed, dedicated or acquired exceeds the amounts stated in the preceding paragraph, then the acres exceeding such total shall be taxed at the applicable rate set forth in Section C.2 above and to the extent set forth set forth in Section D above.

**F. APPEALS**

Any landowner or resident who feels that the amount of the Special Tax is in error may file a notice with CFD No. 7 appealing the levy of the Special Tax. A representative of CFD No. 7 will then review the appeal and, if necessary, meet with the applicant. If the findings of the CFD No. 7 representative verify that the amount of the Special Tax should be modified or changed, then, as appropriate, the Special Tax levy shall be corrected.

**G. MANNER OF COLLECTION**

The Special Tax will be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that, upon action of the board, CFD No. 7 may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

**H. TERM OF SPECIAL TAX**

The Special Tax shall commence in Fiscal Year 1994-1995 and no further Special Tax shall be levied or collected after Fiscal Year 2032-2033.



**APPENDIX B**

**FORM OF APPROVING OPINION OF BOND COUNSEL**

October 11, 2012

To: Board of Supervisors  
County of Los Angeles, acting as the  
Legislative Body of Community Facilities District No. 7 of the County of Los Angeles  
Los Angeles, California

Re: Community Facilities District No. 7  
of the County of Los Angeles (Altadena Area)  
Special Tax Refunding Bonds, Series 2012A

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We have acted as bond counsel to the Board of Supervisors (the "Board") of the County of Los Angeles (the "County"), acting as the legislative body of Community Facilities District No. 7 of the County of Los Angeles (the "District"), in connection with the issuance by the District of \$7,050,000 aggregate principal amount of Community Facilities District No. 7 of the County of Los Angeles (Altadena Area) Special Tax Refunding Bonds Series 2012A (the "Bonds"), pursuant to and by authority of the provisions of the Mello-Roos Community Facilities Act of 1982 (being Section 53311 *et seq.* of the Government Code of the State of California, as amended) and Article 11 (commencing with Section 53580 of the Government Code of the State of California (collectively, the "Bond Law"), and pursuant to the Indenture, dated as of August 1, 1999 (the "1999 Indenture"), executed by the District, acting through the Board as the legislative body, the Treasurer and Tax Collector of the County, as paying agent, and the Auditor-Controller of the County, as fiscal agent, and the First Supplemental Indenture, dated as of October 1, 2012 (the "First Supplemental Indenture" and together with the 1999 Indenture, the "Indenture"), executed by the District, acting through the Board as the legislative body, the Treasurer and Tax Collector of the County, as paying agent, and the Auditor-Controller of the County, as fiscal agent. Capitalized terms used herein and not otherwise defined shall have the meanings given thereto in the Indenture.

The District authorized the issuance of the Bonds in Resolution No. 12-4287, adopted by the Board on September 18, 2012, and signed by the Executive Officer-Clerk of the Board of Supervisors of the County on September 18, 2012 (the "Resolution").

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Bonds and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Bonds constitute the valid and binding special tax obligations of the District, payable solely from Net Taxes (as that term is defined in the Indenture) relating to the Bonds, and certain funds held under the Indenture to the extent specified in the Indenture.
2. The Indenture has been duly and lawfully adopted, executed and delivered by, and constitutes the valid and binding obligation of, the District.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds is also exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the District.

In rendering those opinions with respect to the treatment of the interest on the Bonds, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the District. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Bonds has concluded on this date.

Respectfully submitted,

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Community Facilities District No. 7 (Altadena Area) of the County of Los Angeles (the “District”) in connection with the \$7,050,000 Special Tax Refunding Bonds, Series 2012A (the “Bonds”). The Bonds are being issued pursuant to an Indenture (the “Original Indenture”) dated as of August 1, 1999 by and among the District acting through the Board of Supervisors of the County, the Treasurer and Tax Collector of the County, as Paying Agent (the “Paying Agent”), and the Auditor-Controller of the County, as Fiscal Agent (the “Fiscal Agent”), as amended and supplemented by a First Supplemental Indenture, dated as of October 1, 2012 (the “First Supplemental Indenture” and, together with the Original Indenture, the “Indenture”). The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District 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 the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means 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.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated September 27, 2012 delivered in connection with the issuance of the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

3. Provision of Annual Reports.

(a) The District shall provide not later than February 1 following the end of its Fiscal Year (commencing with Fiscal Year 2013) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, 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 Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in substantially the manner prescribed by the Municipal Securities Rulemaking Board.

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

(a) The audited financial statements of the County 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 County'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;

(b) Principal amount of the Bonds for the District as of September 2 preceding the filing of the Annual Report;

(c) Balance in each fund under the Indenture as of September 2 preceding the filing of the Annual Report;

(d) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a description of any parcels for which the Special Taxes have been prepaid in the Fiscal Year for which the Annual Report is being prepared;

(e) an update of Tables 1 and 2 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(f) an update of Table 3 in the Official Statement reflecting and the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;

(g) an update of Tables 4 and 5 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report; and

(h) any information not already included under (a) through (g) above that the District is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

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 District or the County or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided that if any document included by reference is a final official statement, it must be available from the Municipal Securities

Rulemaking Board; and provided further that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

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. issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

1. unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. modifications to the rights of Bondholders;
3. optional, unscheduled or contingent Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional paying agent or fiscal agent or the change of the name of a paying agent or fiscal agent.

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

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

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

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate 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 Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District 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 Certificate, the District shall not thereby have any obligation under this Disclosure Certificate 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 District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate 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 unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of 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.

Dated: October 11, 2012

COMMUNITY FACILITIES DISTRICT NO. 7  
(ALTADENA AREA) OF THE COUNTY OF LOS  
ANGELES

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

Mark J. Saladino  
Treasurer and Tax Collector of the  
County of Los Angeles

**EXHIBIT A**

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

Name of Issuer: Community Facilities District No. 7 (Altadena Area) of the County of Los Angeles  
Name of Bond Issue: Community Facilities District No. 7 (Altadena Area) of the County of Los Angeles  
Special Tax Refunding Bonds, Series 2012A  
Date of Issuance: October 11, 2012

NOTICE IS HEREBY GIVEN that Community Facilities District No. 7 (Altadena Area) of the County of Los Angeles (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated as of \_\_\_\_\_, 2012. [The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.]

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

\_\_\_\_\_  
as Dissemination Agent

cc: County of Los Angeles

## APPENDIX D

### BOOK-ENTRY-ONLY SYSTEM

*The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2012A Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to the Series 2012A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2012A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be executed and delivered for each annual maturity of the Series 2012A Bonds, each in the aggregate principal amount of such annual maturity, 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 is rated AA+ by Standard & Poor's. 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 Series 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012A 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 Series 2012A 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 Series 2012A Bonds, except in the event that use of the book-entry system for the Series 2012A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A 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 Series 2012A 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 Series 2012A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012A 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 Series 2012A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012A Bond documents. For example, Beneficial Owners of Series 2012A Bonds may wish to ascertain that the nominee holding the Series 2012A 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 Series 2012A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2012A 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

A Bond Owner shall give notice to elect to have its Series 2012A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Series 2012A Bond by causing the Direct Participant to transfer the Participant's interest in the Series 2012A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2012A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2012A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2012A Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2012A 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, physical Series 2012A Bonds are required to be printed and delivered.

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

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2012A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION

OF THE SERIES 2012A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.



**APPENDIX E**

**ECONOMIC AND DEMOGRAPHIC INFORMATION  
REGARDING THE COUNTY OF LOS ANGELES**

*The following information concerning Community Facilities District No. 7 (the “District”) and the County of Los Angeles (the “County”) and the State of California (the “State”) is included only for the purpose of supplying general background information regarding the community*

**General Description**

The District is located in the southwest portion of the unincorporated area of Altadena. It covers an area of approximately 220 acres, including 108.3 acres of natural open space, and is accessible via surface streets and the 210 Freeway. Residents of the District are zoned to Pasadena Unified School District schools.

Altadena is a census-designated place in Los Angeles County, California. Located at the foot of the San Gabriel Mountains, Altadena is bordered by the Angeles National Forest to the north, and by the affluent cities of Pasadena and La Canada-Flintridge to the east, south and west. Altadena encompasses about 8.7 square miles (14 km<sup>2</sup>). It is a “bedroom community” of the County with little to no employment base of its own. The majority of the residents are employed outside the community which is convenient to Pasadena, Glendale, Burbank and downtown Los Angeles. The population was 92,772 at the 2010 census.

The County encompasses an area of approximately 4,081 miles in southwestern California. The 88 cities within the County encompass about 35% of the County, while more than 65% of the County remains unincorporated. The County has the largest population of any county in the nation with more than 10 million inhabitants as of 2012, nearly twice as many as the next largest county. The County is bordered on the east and the south by Orange and San Bernardino Counties, on the north by Kern County, and on the west by Ventura County and the Pacific Ocean.

**Population**

The population of the County and the State is shown below for calendar years 2008 through 2012.

**County of Los Angeles and State of California  
Population Estimates**

<i>Year</i>	<i>County of Los Angeles</i>	<i>State of California</i>
2008	9,785,474	36,704,375
2009	9,801,096	36,966,713
2010	9,822,121	37,223,900
2011 <sup>(1)</sup>	9,847,712	37,253,956
2012 <sup>(1)</sup>	9,884,632	37,678,563

<sup>(1)</sup> Based on 2010 Census results. Data from prior years has not been updated to reflect the 2010 Census results and is NOT consistent nor comparable with data released in May 2011.  
Source: *California Department of Finance, Demographic Research Unit.*

## Employment

The following table sets forth the recent civilian labor force, employment and unemployment figures for the County.

**LOS ANGELES COUNTY**  
**Civilian Labor Force, Employment and Unemployment**  
**Annual Averages**  
**2007-2011**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Civilian Labor Force	4,872,500	4,934,800	4,904,300	4,910,500	4,924,400
Employment	4,625,600	4,565,500	4,335,200	4,291,400	4,318,900
Unemployment	246,900	369,300	569,000	619,100	605,500
Unemployment Rate	5.1%	7.5%	11.6%	12.6%	12.3%

Source: *State of California Employment Development Department.*

## Industry

The District and Stevenson Ranch are included in the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area. The distribution of employment in the Los Angeles-Long Beach-Glendale area is presented in the following table for calendar years 2007 through 2011. These figures are multi-county-wide statistics and may not necessarily accurately reflect employment trends within the District or Stevenson Ranch.

**INDUSTRY BY EMPLOYMENT**  
**Los Angeles-Long Beach-Glendale Metropolitan Statistical Area**  
**2007-2011**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Farm	7,500	6,900	6,200	6,200	5,500
Mining and Logging	4,400	4,400	4,100	4,100	4,000
Construction	157,600	145,200	117,300	104,500	103,500
Manufacturing:					
Durable Goods	250,900	243,200	217,500	207,000	202,800
Nondurable Goods	198,300	191,200	171,600	166,200	162,600
Service Providing:					
Wholesale Trade	227,000	223,700	204,500	203,300	207,200
Retail Trade	426,000	416,500	387,000	386,000	390,900
Transportation, Warehousing & Utilities	165,600	163,100	151,200	150,600	149,900
Information	209,800	210,300	191,200	191,500	195,600
Financial Activities	243,800	233,300	216,000	209,500	209,400
Professional & Business Services	605,400	582,600	529,800	527,500	540,400
Education & Health Services	492,700	505,800	514,600	522,000	534,800
Leisure & Hospitality	397,900	401,600	385,600	384,800	392,800
Other Services	147,100	146,100	137,900	136,700	135,000
Government	<u>595,700</u>	<u>603,700</u>	<u>595,800</u>	<u>576,600</u>	<u>565,200</u>
Total (all industries)	4,129,600	4,077,600	3,830,300	3,779,300	3,799,600

Source: *State of California Employment Development Department.*

## Largest Employers

The table below lists the twenty largest private employers in the Los Angeles County Area.

### LARGEST PRIVATE-SECTOR EMPLOYERS Los Angeles County 2011

<u>Rank</u>	<u>Company</u>	<u>Los Angeles County Employees</u>	<u>Description</u>
1.	Kaiser Permanente	33,600	Non-profit health plan
2.	Northrop Grumman Corp.	21,000	Defense contractor
3.	University of Southern California	16,180	Private university
4.	Target Corp.	15,000	Retailer
5.	Ralphs/Food 4 Less (Division of Kroger Co.)	13,500	Grocery retailer
6.	Cedars-Sinai Medical Center	12,068	Medical center
7.	Bank of America Corp.	12,000	Banking and financial services
8.	Boeing Co.	11,520	Integrated aerospace and defense systems
9.	Providence Health & Services Southern California	10,616	Medical centers
10.	The Home Depot	10,250	Home improvement specialty retailer
11.	Vons	10,152	Grocery retailer
12.	Wells Fargo	9,723	Diversified financial services
13.	Edison International	9,171	Electric utility
14.	AT&T Inc.	8,500	Telecommunications
15.	California Institute of Technology	8,400	Private university, operator of Jet Propulsion Laboratory
16.	ABM Industries Inc.	8,300	Facility services, janitorial, parking, security, engineering and lighting
17.	FedEx Corp.	8,000	Shipping and logistics
18.	Catholic Healthcare West	7,192	Hospitals
19.	JP Morgan Chase	6,500	Banking and financial services
20.	Amgen Inc.	6,200	Biotechnology

Source: *Los Angeles Business Journal*, September 2011.

## Personal Income

The following table summarizes per capita personal income for the County, the State of California and the United States for 2000 to 2011.

### PER CAPITA PERSONAL INCOME Los Angeles County, State of California, and United States of America 2000-2011

<u>Year</u>	<u>Los Angeles County</u>	<u>State of California</u>	<u>United States of America</u>
2000	\$29,878	\$33,404	\$30,318
2001	31,523	33,896	31,145
2002	32,080	34,049	31,462
2003	32,995	34,975	32,271
2004	34,534	36,887	33,881
2005	36,498	38,767	35,424
2006	39,610	41,567	37,698
2007	41,273	43,240	39,461
2008	42,881	43,853	40,674
2009	40,356	42,395	39,635
2010	41,791	42,514	39,937
2011	--	44,481	41,663

Note: Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in current dollars (not adjusted for inflation).

Source: *U.S. Department of Commerce, Bureau of Economic Analysis.*

## Commercial Activity

Summaries of historic taxable sales within the County is shown in the following table.

### TAXABLE SALES County of Los Angeles 2007-2011<sup>(1)</sup> (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2007	142,380	96,095,711	290,344	137,820,418
2008	146,999	89,810,309	289,802	131,881,744
2009	175,461	78,444,115	264,928	112,744,722
2010	182,491	82,175,416	271,293	116,942,334
2011 <sup>(1)</sup>	177,900	20,705,740	264,818	29,260,271

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

<sup>(1)</sup> Through First Quarter 2011.

## APPENDIX F

### SUMMARY OF THE BOND INDENTURE

*The following is a summary of certain provisions of the Indenture and does not purport to be complete restatement thereof. Reference is hereby made to the Indenture for the complete terms of Copies of the Indenture are available from the District upon request for the cost of copying delivery thereof.*

#### Definitions

“Act” means the Mello-Roos Community Facilities Act of 1982, constituting Sections 53311 et seq. of the Government Code of the State of California, as amended.

“Administrative Expenses” means the ordinary and necessary costs of administering the levy and collection of the Special Taxes and all other administrative costs and incidental expenses related to the Bonds or the Special Taxes during a Fiscal Year, including, but not limited to, annual audit fees, Paying Agent fees, Fiscal Agent fees, and fees incurred in connection with the calculation of arbitrage rebate due to the federal government and amounts payable to the federal government as arbitrage rebate.

“Authorized Denominations” means denominations of \$5,000 or any integral multiple thereof.

“Authorized Investments” means if and to the extent permitted by law, the following:

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

Federal Housing Administration debentures;

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

Federal Home Loan Mortgage Corporation (FHLMC)

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

Senior debt obligations

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

Consolidated system-wide bonds and notes

Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

Federal National Mortgage Association (FNMA)

Senior debt obligations

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

Student Loan Marketing Association (SLMA)

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

Financing Corporation (FICO)

Debt obligations

Resolution Funding Corporation (REFCORP)

Debt obligations;

Unsecured certificates of deposit and time deposits (having maturities of not more than three years) of any bank the long-term and short-term obligations of which are rated "A-1" or better by S&P and Moody's;

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

Commercial paper (having original maturities of not more than 180 days) rated "A-1+" by S&P and "P-1" by Moody's;

Money market funds which have the rating of A or better from at least two nationally recognized rating agencies;

"State Obligations", which means:

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

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

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

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

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

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

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

The cash or United States Treasury Obligations serving as security for the municipal obligations are held by a trustee in trust for owners of the municipal obligations;

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

The cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee;

Repurchase agreements with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s, provided that (a) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); (b) the Fiscal Agent or a third party acting solely as agent therefor or for the District (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books); (c) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); (d) all other requirements of S&P in respect of repurchase agreements shall be met; and (e) the repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.

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

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

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

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

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

the District or the Fiscal Agent receives the opinion of domestic counsel (and of foreign counsel, if applicable), which opinion shall be addressed to the District, that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms;

the investment agreement shall provide that if during its term

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

the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Fiscal Agent;

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

the investment agreement must provide that if during its term

the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate; and

the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate; and

Any legal investments of the District's funds authorized pursuant to Section 53601 of the California Government Code and consistent with the County of Los Angeles Treasurer and Tax Collector Investment Policy.

“Authorized Representative of the District” means the Treasurer or any other person designated by such officer and authorized to act on behalf of the District under or with respect to the Indenture and all other agreements related thereto.

“Average Annual Debt Service” means the average over all Bond Years of the annual debt service from the date of the Bonds to their maturity, including:

(1) the principal amount of all Outstanding Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and

(2) the interest payable on the aggregate principal amount of the Bonds Outstanding in such Bond Year assuming the Bonds are retired as scheduled.

“Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Board of Supervisors” means the Board of Supervisors for the County of Los Angeles.

“Bond Counsel” means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the District.

“Bond Register” means the books which the Paying Agent shall keep or cause to be kept on which the registration and transfer of Bonds shall be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond is registered.

“Bonds” means the Series 1999A Bonds and any additional bonds issued pursuant to the terms of Section 2.12 of the Indenture.

“Bond Year” means the period of twelve consecutive months ending on September 1 in any year during which Bonds are or will be Outstanding; provided, however, that the first Bond Year shall begin on the date of issuance of the Bonds and end on September 1, 1999, and the final Bond Year shall end on the date on which the Bonds are fully paid or redeemed.

“Business Day” means any day other than a Saturday or a Sunday or a day on which financial institutions in the State of New York or in the State are required or authorized to close.

“Certificate of the District” means a certificate entered into among the District, the Fiscal Agent and the Paying Agent containing specific provisions applicable to the Series 2012A Bonds.

“Closing Date” means October 11, 2012.

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

“Continuing Disclosure Undertaking” shall mean that certain Continuing Disclosure Undertaking of the District dated as of October 11, 2012, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all of the costs of issuing the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Bonds and any and all other agreements, instruments, certificates or other documents issued in connection therewith; computer and other

expenses incurred in connection with the Bonds; the initial fees and expenses of the Fiscal Agent and the Paying Agent, if any (including without limitation, origination fees and first annual fees payable in advance); any premium or other fees with respect to insurance provided for the Bonds (if any); and other fees and expenses incurred in connection with the issuance of the Bonds, to the extent such fees and expenses are approved by the District.

“County” means the County of Los Angeles, California.

“Defeasance Securities” means (1) cash, (2) non-callable direct obligations of the United States of America, including United States Treasury Obligations - State and Local Government Series (“SLGS”) (“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 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” by S&P and “Aaa” by Moody’s, respectively (or any combination thereof), which meet the requirements of paragraph 9 in the definition of “Authorized Investments.”

“Depository” means, initially, DTC, or any other securities depository acting as Depository pursuant to Section 2.13 of the Indenture.

“District” means Community Facilities District No. 7 of the County of Los Angeles.

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

“DTC Participants” shall have the meaning given to such term in Section 2.13 of the Indenture.

“Event of Default” means an event of default as described in Section 10.1 of the Indenture.

“Facilities” means the facilities to be acquired by the District pursuant to the Funding and Acquisition Agreement.

“First Supplemental Indenture” means the First Supplement Indenture, dated as of October 1, 2012, by and among the District, the Paying Agent and Fiscal Agent, as may be amended and supplemented from time to time pursuant to the terms of the Indenture.

“Fiscal Agent” means the Auditor-Controller of the County, acting as an officer of the District, and its designated agents or its successors and assigns, acting in the capacity of fiscal agent. The Auditor-Controller of the County is authorized to contract with any third party to perform the services of Fiscal Agent under the Indenture.

“Fiscal Year” means the period beginning on July 1 and ending on the following June 30.

“Funding and Acquisition Agreement” means that certain agreement dated March 17, 1998, as supplemented and amended, by and between the District and Southwest Diversified La Vina, Ltd., a California limited partnership pursuant to which the District will acquire certain facilities described therein.

“Gross Taxes” means (i) all Special Taxes and (ii) all proceeds from the sale of property collected pursuant to the foreclosure provisions of the Act and the Indenture for the delinquency of such Special Taxes.

“Indenture” means the Indenture dated August 1, 1999 by and between the District, the Treasurer and the Auditor-Controller of the County of Los Angeles, as amended or supplemented pursuant to the terms thereof.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District and satisfactory to and approved by the Fiscal Agent and who, or each of whom:

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

“Information Services” means: Financial Information, Inc.’s Financial Daily Called Bond Service; Interactive Data Corporation’s Bond Service; Kenny Information Service’s Called Bond Service; Moody’s Municipal and Government; or Standard & Poor’s Called Bond Record.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2000.

“Investment Property” means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity or investment-type property, excluding, however, obligations the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code.

“Issuer” means the District.

“Law” means the provisions of Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of Bonds by totaling the following for each Bond Year:

- (1) The amount of all Outstanding Bonds payable in such Bond Year;
- (2) The principal amount of any Bonds scheduled to be called and redeemed in such Bond Year; and
- (3) The interest payable on the aggregate principal amount of Outstanding Bonds in such Bond Year if the Outstanding Bonds are retired as scheduled.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and approved by the Fiscal Agent.

“Net Taxes” means the amount of all Gross Taxes minus Administrative Expenses.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.13 of the Indenture.

“Outstanding” or “Outstanding Bonds” means all Bonds theretofore or thereupon being authenticated and delivered by the Paying Agent under the Indenture except:

- (1) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;
- (2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Paying Agent pursuant to the Indenture;
- (3) From and after the date fixed for redemption, Bonds or portions thereof designated for redemption for which notice of redemption has been duly given and the amount necessary for redemption has been made available for that purpose; and
- (4) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have theretofore been deposited with the Paying Agent in accordance with Section 8.1 of the Indenture (whether on or prior to the maturity or redemption date of such Bonds).

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

“Paying Agent” means the Treasurer and its designated agents or its successors or assigns, acting in the capacity of registrar, paying agent and transfer agent. The Treasurer is authorized to contract with any third party to perform the services of Paying Agent under the Indenture.

“Payment Request Form” means a payment request form to be used in connection with the payment of Costs of Issuance, substantially in the form of Exhibit B attached to the Indenture.

“Principal Office” means the principal office the Paying Agent, located in Los Angeles, California.

“Project” means the acquisition and/or construction of the Facilities.

“Rebate Amount” shall have the meaning given to such term in Section 4.9 of the Indenture.

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

“Reserve Fund Credit Facility” means a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in the Reserve Fund which meets the requirements set forth in Section 4.6 of the Indenture in lieu of or in partial substitution for cash or securities on deposit therein.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 10% of the initial aggregate principal amount of the Bonds, less original issue discount, or (c) 125% of Average Annual Debt Service.

“Resolution of Formation” means the resolution entitled “Resolution Establishing Community Facilities District No. 7 of the County of Los Angeles (Altadena Area) Providing for Special Taxes to Pay for Certain Public Facilities for the Benefit of the Community Facilities District and Calling a Special Election to Submit to the Qualified Electors Within the District the Consolidated Question of Levying Such Special Taxes, Incurring Bonded Indebtedness Secured by Such Special Taxes and Establishing an Appropriations Limit for Such District.”

“S&P” means Standard and Poor’s Ratings Group, a division of MacGraw-Hill Corp., a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and approved by the Fiscal Agent.

“Securities Depository” means any of: (1) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Facsimile transmission: (516) 227-4039 or (516) 227-4190; (2) Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South La Salle Street, Chicago, Illinois 60605, Facsimile transmission: (312) 663-2343; (3) Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Facsimile transmission: (215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the County may designate in a certificate delivered to the Fiscal Agent.

“Series 1999A Bonds” means the Community Facilities District No. 7 of the County of Los Angeles Special Tax Bonds, Series 1999A, authenticated and delivered under the Indenture.

“Series 2012A Bonds” means the Community Facilities District No. 7 of the County of Los Angeles Special Tax Bonds, Series 2012A, authenticated and delivered under the First Supplemental Indenture.

“Series 1999A Escrow Agent: means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, acting in its capacity as such under the Series 1999A Escrow Agreement, and any successor thereto.

“Series 1999A Escrow Agreement” means the Escrow Agreement, dated as of October 1, 2012, by and between the District, acting through the Board of Supervisors of the County, and the Series 1999A Escrow Agent relating to the Series 1999A Bonds, as amended and supplemented pursuant to the terms of the Escrow Agreement.

“Series 1999A Escrow Fund” means the escrow fund established under the Series 1999A Escrow Agreement.

“Serial Bonds” means Bonds for which no mandatory sinking fund payments are provided.

“Special Taxes” means the annual special taxes authorized under the Act to be levied on property lying within the District, as described in the Resolution of Formation and the Rate and Method of Apportionment of Special Tax attached as Exhibit 2 to the Resolution of Formation, pursuant to an election and in accordance with the Act.

“State” means the State of California.

“Supplemental Indenture” means any Supplemental Indenture amending or supplementing the Indenture.

“Tax Certificate” means the Tax Certificate for the Bonds executed and delivered by the District on the Closing Date.

“Tax-Exempt” means, with reference to an Authorized Investment, an Authorized Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

“Term Bonds” means any Bonds so designated herein and for the retirement of which mandatory sinking fund payments have been established.

“Treasurer” means the Treasurer and Tax Collector of the County, acting as an officer of the District.

“Yield” shall mean that discount rate which when computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the purchase price of the obligation. With respect to the Bonds, the Yield shall be the discount rate at which the present value of payments on the Bonds is equal to the purchase price at par, less original issue discount and plus accrued interest.

### **Special Tax Fund**

The Fiscal Agent shall, on each date on which the Gross Taxes have been received by the Treasurer and deposited with the Fiscal Agent, deposit the Gross Taxes in the Special Tax Fund, and such Gross Taxes to be held and transferred on the dates and in the amounts set forth in the Indenture and summarized below, in the following order of priority, to: (a) the Administrative Expense Fund; (b) the Bond Service Fund; and (c) the Reserve Fund. Any amounts remaining on deposit in the Special Tax Fund when there are no longer any Bonds Outstanding shall be transferred, first, to the Administrative Expense Fund to the extent necessary to pay Administrative Expenses, second, to the Rebate Fund, if necessary, and, third, to the District and used for any lawful purpose under the Act.

### **Administrative Expense Fund**

On or before the date amounts are needed to pay Administrative Expenses, the Fiscal Agent shall withdraw from the Special Tax Fund and place in the Administrative Expense Fund an amount necessary, together with amounts on deposit therein, to pay all Administrative Expenses. Upon receipt of a duly executed Administrative Expense Payment Request in substantially the form attached as Exhibit C to the Indenture, the Fiscal Agent shall pay the Administrative Expenses. Administrative Expenses shall be paid directly to the person, corporation or entity entitled to payment and named as a Payee on the Administrative Expense Payment Request Form. Notwithstanding anything herein to the contrary, the Fiscal Agent may rely on an executed Administrative Expense Payment Request Form as complete authorization for any payments. The Fiscal Agent shall transfer all amounts remaining on deposit in the Administrative Expense Fund on the final maturity of the Bonds, after payment of any accrued Administrative Expenses, to the Special Tax Fund.

### **Bond Service Fund**

The principal and interest due on the Bonds until maturity, otherwise than by optional or mandatory redemption, shall be paid by the Paying Agent from amounts transferred to the Bond Service Fund from the Special Tax Fund, after provision has been made for the payment of Administrative Expenses.

For the purpose of providing for the payment of principal of, and interest on the Bonds when due, on or before March 1 and September 1 of each year, the Fiscal Agent shall withdraw from the Special Tax Fund, and the Reserve Fund (to the extent required) and place in the Bond Service Fund an amount, together with amounts on deposit therein, equal to all of the principal (including mandatory sinking fund payments) and all of the interest due and payable on all of the Bonds on the next Interest Payment Date. On or before the Business Day prior to each Interest Payment Date, the Fiscal Agent shall pay to the Paying Agent an amount equal to the interest and principal due and payable on the Bonds on such Interest Payment Date. The Fiscal Agent shall transfer any moneys remaining in the Bond Service Fund when there are no longer any Bonds Outstanding to the Special Tax Fund.

## **Reserve Fund**

The Indenture provides that in the Reserve Fund there must be maintained an amount equal to the Reserve Requirement. Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds in the event that the moneys in the Bond Service Fund are insufficient therefor, and for that purpose the Fiscal Agent shall withdraw from the Reserve Fund, for deposit in the Bond Service Fund, moneys necessary for such purpose. If the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the Fiscal Agent shall notify the District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the District shall collect such deficiency either through including such amount in the next annual Special Tax levy, to the extent permitted by law and the Resolution of Formation, or otherwise. If amounts on deposit in the Reserve Fund are less than the Reserve Requirement, after making the required transfers to the Administrative Expense Fund and the Bond Service Fund, the Fiscal Agent shall transfer to the Reserve Fund from the first available moneys in the Special Tax Fund, an amount necessary to increase the balance therein to the Reserve Requirement. If on August 20 of each year, the amount on deposit in the Reserve Fund is in excess of the Reserve Requirement, the Fiscal Agent shall transfer such excess to the Bond Service Fund. Moneys in the Reserve Fund shall be transferred to the Bond Service Fund on the final maturity of the Bonds and applied to the payment of principal of and interest on the last outstanding maturity of the Bonds.

At the option of the District, a Reserve Fund Credit Facility may be substituted for the funds held in the Reserve Fund such that the amount available to be drawn under such Reserve Fund Credit Facility together with funds remaining in the Reserve Fund satisfies the Reserve Requirement.

If the District exercises its option to substitute a Reserve Fund Credit Facility for all or a portion of the moneys held by the Fiscal Agent in the Reserve Fund, then such moneys, on or after the date that the Reserve Fund Credit Facility becomes effective, at the option of the District, (i) shall be transferred to the Bond Service Fund by the Fiscal Agent upon written direction of the District and on each applicable Interest Payment Date a pro rata portion thereof shall be used to pay a portion of the principal and interest on the Bonds due on such Interest Payment Date or (ii) shall be transferred to the general fund of the District or otherwise applied at the direction of the District. The District may not invest such amounts transferred so as to produce a yield greater than the yield permitted under the Tax Certificate. In the event the Reserve Fund Credit Facility is scheduled to terminate prior to the final maturity date of the Bonds and such Reserve Fund Credit Facility is not extended, renewed or replaced with another Reserve Fund Credit Facility or with cash or Authorized Investments in the amount of such Reserve Fund Credit Facility, the District shall draw on or make a claim under the Reserve Fund Credit Facility ten days prior to the date of such expiration in an amount equal to the lesser of (i) the maximum amount available thereunder or (ii) the Reserve Requirement, in either case for deposit into the Reserve Fund.

In the event a Reserve Fund Credit Facility is substituted for all or a portion of the moneys held by the Fiscal Agent in the Reserve Fund pursuant to the terms of the Indenture, then, notwithstanding any other provision thereof, (1) the District shall draw upon the Reserve Fund Credit Facility for amounts which the terms of the Indenture require to be transferred from the Reserve Fund and (2) amounts required by the terms of the Indenture to be deposited or transferred to the Reserve Fund shall (i) in the event the Reserve Fund Credit Facility has been drawn upon, be paid to the provider of such Reserve Fund Credit Facility if the District has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount then available under the Reserve Fund Credit Facility equal to the amount of reimbursement of draws or claims paid, or (ii) otherwise be transferred or deposited pursuant to the terms of the Indenture as if no deposit or transfer to the Reserve Fund were required.

The District shall be permitted to make use of a Reserve Fund Credit Facility pursuant to the Indenture at any time as long as each of the following conditions are met:

1. The instrument utilized as a Reserve Fund Credit Facility is a surety bond or insurance policy issued to the Fiscal Agent, by a company licensed to issue an insurance policy guaranteeing the timely payment of principal of and interest on the Bonds, which company has a claims paying ability rated “AAA” and “Aaa” by S&P and Moody’s, respectively.

2. An opinion of counsel to the issuer of the Reserve Fund Credit Facility is delivered as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors’ rights generally, and, in the event that the issuer of such Reserve Fund Credit Facility is not a domestic entity, an opinion of foreign counsel to the same effect.

3. The obligation to reimburse the issuer of the Reserve Fund Credit Facility for any fees, expenses, claims or draws upon such Reserve Fund Credit Facility shall be subordinate to the payment of principal of and interest on the Bonds. The right of the issuer of the Reserve Fund Credit Facility to payment or reimbursement of its fees, expenses, claims or draws may be on a parity with cash replenishment of the Reserve Fund. The Reserve Fund Credit Facility shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund Credit Facility to reimbursement will be subordinated to cash replenishment of the Reserve Fund to an amount equal to the difference between the original amount available under the Reserve Fund Credit Facility and the amount then available for further draws or claims. If (a) the issuer of the Reserve Fund Credit Facility becomes insolvent or (b) the issuer of the Reserve Fund Credit Facility defaults in its payment obligations thereunder or (c) the claims paying ability of the issuer of a Reserve Fund Credit Facility falls below “A+” by S&P or “A1” by Moody’s, the obligation to reimburse the issuer of the Reserve Fund Credit Facility shall be subordinate to the cash replenishment of the Reserve Fund.

4. If (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (b) the rating of the claims paying ability of the issuer of the Reserve Fund Credit Facility falls below “A+” by S&P or “A1” by Moody’s, the District shall either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or Authorized Investments on deposit in the Reserve Fund to equal the Reserve Fund Requirement on all Outstanding Bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a Reserve Fund Credit Facility meeting the requirements in paragraph I above within six months of such occurrence.

5. Where applicable, the amount available for draws or claims under the Reserve Fund Credit Facility may be reduced by the amount of cash or Authorized Investments deposited in the Reserve Fund pursuant to clause (i) of the preceding subparagraph 4.

6. Cash on deposit in the Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Fund Credit Facility. If and to the extent that more than one Reserve Fund Credit Facility is deposited in the Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

For purposes of the above, the term “substitution” shall include such initial funding of the Reserve Requirement by means of a Reserve Fund Credit Facility instead of by deposit of moneys, and shall not be read to mean that the District must first make an initial cash deposit in the Reserve Fund before invoking the provisions of the Indenture and satisfying the Reserve Requirement by securing and implementing a Reserve Fund Credit Facility.

### **Acquisition Fund**

The Fiscal Agent shall, from time to time, disburse moneys from the Project Account of the Acquisition Fund to pay the Project Costs associated with the Project, in each case promptly after receipt of a

Payment Request Form together with invoices therefor. Upon receipt of a Certificate of Completion with respect to the Project, the Fiscal Agent shall transfer any excess moneys on deposit in the Acquisition Fund to the Bond Service Fund to be applied to the payment of interest on the Bonds.

### **Rebate Fund**

The District is required to calculate the Rebate Requirement in accordance with the requirements set forth in the Indenture. Upon the District's written direction, an amount equal to the Rebate Amount specified to the Fiscal Agent shall be deposited into the Rebate Fund by the Fiscal Agent from any available fund or account, so that the balance in the Rebate Fund after such deposit shall equal the Rebate Amount for the Bond Year (as such term is defined in the Tax Certificate and not as such term is defined in the Indenture) calculated as of the most recent computation date (as defined in the Tax Certificate). Computations of the Rebate Amount shall be furnished by or on behalf of the District in accordance with the Tax Certificate. The Fiscal Agent shall have no obligation to rebate any amounts required to be rebated pursuant to the Indenture, other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by the District.

Upon receipt of the District's written directions, the Fiscal Agent shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if on the first day of any Bond Year the amount credited to the Rebate Fund exceeds the Rebate Amount as of such date, and the District so directs, the Fiscal Agent will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the District's written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount shall be withdrawn and remitted to the District.

### **Redemption Fund**

Prior to any redemption date, the Fiscal Agent shall deposit in the Redemption Fund moneys available for the purpose and sufficient to redeem, at the redemption prices payable as provided in the Indenture, the Bonds designated for redemption. Such moneys must be set aside in the Redemption Fund solely for that purpose and shall be transferred to the Paying Agent on or before the applicable redemption date and be applied by the Paying Agent on or after the redemption date to the payment of the redemption price on the Bonds to be redeemed upon presentation and surrender thereof. Any moneys remaining in the Redemption Fund when there are no longer Bonds Outstanding shall be transferred to the Special Tax Fund.

### **Earnings Fund**

The Fiscal Agent shall transfer all investment earnings from the Costs of Issuance Fund and the Reserve Fund into the Earnings Fund at the times and in the manner provided in the Indenture.

### **Investment of Moneys**

Moneys held in any of the funds and accounts under the Indenture shall be invested at the direction of the District only in Authorized Investments which shall be deemed at all times to be a part of such funds and accounts. Investment earnings on the Costs of Issuance Fund and the Reserve Fund shall be deposited in the Earnings Fund. Investment earnings on all amounts in the Administrative Expense Fund, the Rebate Fund, the Special Tax Fund, the Bond Service Fund, and the Redemption Fund shall be deposited in those respective funds.

### **Covenants**

The District has made the following covenants in the Indenture, among others, for the benefit of the Bondowners:

(a) The District will duly and punctually pay or cause to be paid the principal of, premium (if any), and interest on every Bond issued under the Indenture to the extent Net Taxes are available therefor, in strict conformity with the terms of the Bonds and the Indenture and will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture as it may be amended from time to time.

(b) Subject to the limitations on the rate of Special Taxes, the District shall levy or cause to be levied the Special Taxes in an amount anticipated to be sufficient (after taking into account anticipated delinquencies in the payment of Special Taxes), together with any moneys on deposit in the Special Tax Fund, the Redemption Fund and the Bond Service Fund (and, with respect to the final Bond Year, in the Reserve Fund) and anticipated to be available in the next succeeding Bond Year, to pay principal of, premium (if any) and interest on the Bonds, Administrative Expenses and any amounts required to maintain the Reserve Fund at the Reserve Requirement.

(c) If the Fiscal Agent determines at any time that the balance in the Reserve Fund is less than the Reserve Requirement as the result of the failure by one or more owners of real property to pay Special Taxes when due, the District shall commence and diligently prosecute to completion such foreclosure proceedings as may be necessary to restore the Reserve Fund balance to the Reserve Requirement.

(d) The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or the Bondowners of not less than 10% of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

(e) In order to maintain the exclusion from gross income for Federal income tax purposes of the interest on the Bonds, the District covenants in the Indenture to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and the District agrees to comply with the Tax Certificate for the Bonds issued thereunder, as each such Tax Certificate may be amended from time to time, as a source of guidance for compliance with such provisions. The Fiscal Agent and the Paying Agent each agree to comply with any written instructions received from the District which the District indicates must be followed in order to comply with the Tax Certificate. The Indenture provides that the tax covenant shall survive the payment, redemption or defeasance of the Bonds.

### **Additional Bonds**

The District may issue bonds payable from and secured by the Special Taxes which are subordinate in all respects to the Bonds. The District covenants not to issue any other bonds or any other evidence of indebtedness in addition to the Series 2012A Bonds payable from and secured by the proceeds of the Special Taxes as provided in the Indenture on a parity with the Series 2012A Bonds, provided, however, that the District may issue bonds of equal security with that of the Series 2012A Bonds payable from the proceeds of the Special Taxes as provided in the Indenture on a parity with any Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are conditions precedent to the issuance of the Indenture:

(a) The issuance of such Bonds shall have been authorized under and pursuant to the Act or any other applicable law and under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following: (i) the purpose for which such Bonds are to be issued; provided, that the proceeds of the sale of such Bonds shall be applied solely for the purpose of providing funds to refund any Bonds issued under the Indenture; (ii) the

principal amount and designation of such Bonds and the denomination or denominations of the Bonds; (iii) the date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund payments are due, if any, for such Bonds; provided, that (aa) the Serial Bonds shall be payable as to principal annually on September 1 of each year in which principal falls due, and the Term Bonds shall either have semiannual mandatory redemption on March 1 and September 1 or annual mandatory redemption on September 1; (bb) the Bonds shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve (12) months and the interest shall be payable thereafter semiannually on March 1 and September 1; (cc) all Bonds of like maturity shall be identical in all respects, except as to number or denomination; and (dd) serial maturities of Serial Bonds or mandatory sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Bonds on or before their respective maturity dates; (iv) the redemption premiums and terms, if any, for such Bonds; (v) the form of the Bonds; (vi) the amount to be deposited from the proceeds of sale of such Bonds or other District funds in the Reserve Fund to increase the amount therein to an amount at least equal to the Reserve Requirement for all Outstanding Bonds of the District secured on a parity, by the Special Taxes; and (vii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture; and

(b) The District shall be in compliance with all agreements, conditions, covenants and terms contained herein and in all Supplemental Indentures required to be observed or performed by it.

Additional bonds authorized to be issued under this section may only be issued if no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) has occurred and is continuing (unless such default is to be remedied upon the issuance of such additional bonds) and the Reserve Requirement is to be satisfied upon the issuance of such additional bonds.

### **Supplemental Indentures**

The District, the Paying Agent and the Fiscal Agent may from time to time, and at any time, without notice to or consent of any of the Bondowners, enter into such Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Indenture (which Supplemental Indentures or agreements shall thereafter form a part of the Indenture) for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not adversely affect the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(c) to modify, alter, amend or supplement the Indenture for any reason in any other respect which is not materially adverse to the interests of Bondowners.

Exclusive of the Supplemental Indentures referred to above, the Bondowners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the execution of such Supplemental Indentures as shall be deemed necessary or desirable for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture or agreement; provided, however, that

nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Bond, (b) a reduction in the principal amount of, or redemption price of, any Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds the Bondowners of which are required to consent' to such Supplemental Indenture, without the consent of the Bondowners of all Bonds then Outstanding. Nothing in the Indenture, however, shall be construed as making necessary the approval by Bondowners of the execution of any Supplemental Indentures or agreements.

### **Defeasance**

If all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by paying or causing to be paid the principal of and interest with respect to all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, at or before maturity, an amount which, together with the amounts then on deposit in the Bond Service Fund and the Reserve Fund, is fully sufficient to pay the principal of premium (if any) and interest on all Bonds Outstanding as and when the same shall become due and payable or, in the event of redemption thereof, before their respective maturity dates; or (c) by depositing with the Paying Agent, direct obligations of, or obligations guaranteed by, the United States of America, in which the District may lawfully invest its money, in such amount as the District shall determine will, together with the interest to accrue thereon and moneys then on deposit in the Bond Service Fund and the Reserve Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge the principal of, premium (if any), and interest on all Bonds Outstanding as and when the same shall become due and payable then, at the election of the District, and notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture with respect to all Outstanding Bonds shall cease and terminate, except for (i) the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid, all sums due thereon, and (ii) the District's obligations under Sections 4.9, 6.6 and 6.7 of the Indenture. Notice of such election shall be filed with the Paying Agent. Any funds held by the Paying Agent, at the time of receipt of such notice from the District, which are not required for the purpose above mentioned, shall be paid over to the Special Tax Fund.

### **Events of Default and Remedies**

The Indenture states that any one or more of the following events shall constitute an "Event of Default" thereunder:

- (a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or
- (c) Default by the District in the observance of any of the agreements, conditions or covenants on its part in the Indenture or in the Bonds contained (other than a payment default referred to in subparagraph (a) and (b) above), and the continuation of such default for a period of 30 days after the District shall have been given notice in writing of such default by the Fiscal Agent; provided that if within 30 days the District has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated.

Following the occurrence of an event of default, the Indenture provides that any Bondowner shall have the right for the equal benefit and protection of all Bondowners similarly situated:

- (a) By mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the District and any of the members, officers and employees of the District, and to

compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Bondowners as provided in the Indenture;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Bondowners;

(c) By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust; or

(d) To seek the appointment of a receiver, trustee, liquidator or custodian (or other similar official) of the Fiscal Agent or of any substantial part of the property of the Fiscal Agent.

Nothing in the Indenture, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Bondowners thereof at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes and other amounts pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Bondowners to institute a suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture. Further, the Bondowners do not have the right to accelerate the District's obligations under the Bonds.

#### **Paying Agent and Fiscal Agent**

Under the terms of the Indenture, the District has appointed the Treasurer and Tax Collector of the County, or his designated agents, as the Paying Agent and the Auditor-Controller of the County, or his designated agents, as Fiscal Agent for the Bonds. The Paying Agent is authorized under the Indenture to and shall mail interest payments to the Bondowners, select Bonds for redemption, give notice of redemption and meetings of Bondowners, maintain the Bond register, pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, provide for the registration of transfer and exchange of Bonds presented to it for such purposes, provide for the cancellation of Bonds, all as provided in the Indenture, and provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in the Indenture. The Paying Agent shall keep accurate records of all Bonds paid and discharged by it.

The Fiscal Agent is authorized under the Indenture to and shall maintain and administer the funds and accounts established pursuant to the Indenture. The Fiscal Agent shall keep accurate records of all funds administered by it.

The Paying Agent and Fiscal Agent initially appointed and any successor thereto may each be removed by the District and a successor or successors may be appointed. So long as any Bonds are Outstanding and unpaid the Paying Agent, the Fiscal Agent and any successor or successors thereto designated by the District shall continue to be Paying Agent and Fiscal Agent, respectively, of the District for all of said purposes until the designation of a successor or successors.











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