

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2005A Authority Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2005A Authority Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2005A Authority Bonds is exempt from personal income taxes imposed by the State of California. See “Tax Matters” herein.*

**\$181,220,000**

**Los Angeles County Public Works Financing Authority  
Refunding Revenue Bonds Series 2005A  
(Los Angeles County Regional Park and Open Space District)**

**Dated: Date of Delivery**

**Due: October 1, as shown on the inside cover page**

The Series 2005A Authority Bonds are being issued by the Los Angeles County Public Works Financing Authority, a joint exercise of powers entity organized under the laws of the State of California (the “Authority”), pursuant to an Authority Master Indenture of Trust (the “Master Indenture”) dated as of November 1, 1997 and an Authority Second Supplemental Indenture of Trust dated as of February 1, 2005 (the “Second Supplemental Indenture”) and together with the Master Indenture, the “Indenture”), each by and between the Authority and the Auditor-Controller of the County of Los Angeles, as fiscal agent (the “Fiscal Agent”). The Series 2005A Authority Bonds are being issued to assist the Los Angeles County Regional Park and Open Space District (the “District”) (i) to advance refund a portion of the outstanding principal amount of the Authority’s Revenue Bonds, Series 1997A (Los Angeles County Regional Park and Open Space District), and (ii) to pay for costs of issuance incurred in connection with the issuance of the Series 2005A Authority Bonds and the Series 2005A District Bonds (as defined herein). See “PLAN OF REFUNDING,” “THE SERIES 2005A AUTHORITY BONDS” and “ESTIMATED SOURCES AND USES OF FUNDS.” The District shall levy and collect annual assessments on the approximately 2.2 million parcels within its boundaries, which are coterminous with the boundaries of the County of Los Angeles (the “County”), in an amount sufficient to provide for the debt service payments on the Series 2005A Authority Bonds, subject to a maximum annual assessment. See “SECURITY FOR THE SERIES 2005A AUTHORITY BONDS,” Appendix A — “THE DISTRICT – Rate and Method of Assessment” and “– Excerpts of Engineer’s Report,” and Appendix B — “Summary of Certain Provisions of the Legal Documents.”

The Series 2005A Authority Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2005A Authority Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Series 2005A Authority Bonds. Ownership interests in the Series 2005A Authority Bonds may be purchased in book-entry form only. Principal of, and interest on the Series 2005A Authority Bonds will be paid by U.S. Bank National Association, as paying agent (the “Paying Agent”), to DTC or its nominee, which will in turn remit such payment to its Participants for subsequent disbursement to the beneficial owners of interests in the Series 2005A Authority Bonds. See Appendix E — “BOOK-ENTRY-ONLY SYSTEM.” Interest on the Series 2005A Authority Bonds is payable on April 1 and October 1 of each year, commencing on April 1, 2005. See “THE SERIES 2005A AUTHORITY BONDS.”

**The Series 2005A Authority Bonds are not subject to redemption. The scheduled payment of principal of and interest on the Series 2005A Authority Bonds maturing on October 1 of the years 2008 through 2019, inclusive (the “Insured Bonds”) when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC. The Series 2005A Authority Bonds maturing on October 1, 2005 will be uninsured (the “Uninsured Bonds”).**



THE SERIES 2005A AUTHORITY BONDS ARE SPECIAL, LIMITED OBLIGATIONS PAYABLE SOLELY FROM CERTAIN PAYMENTS RECEIVED BY THE AUTHORITY FROM THE DISTRICT, WHICH INCLUDE PLEDGED ASSESSMENTS. NEITHER THE SERIES 2005A AUTHORITY BONDS NOR THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE COUNTY, THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY. THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE SERIES 2005A AUTHORITY BONDS DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS**

(see inside cover page)

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

The Series 2005A Authority Bonds will be offered when, as and if issued, and received by the Underwriters, subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey L.L.P., Los Angeles, California, and for the Authority and the District by the Los Angeles County Counsel. It is anticipated that the Series 2005A Authority Bonds will be available for delivery through the facilities of DTC in New York, New York on or about February 15, 2005.

**LEHMAN BROTHERS  
GOLDMAN, SACHS & CO.**

**UBS FINANCIAL SERVICES INC.  
E. WAGNER & ASSOCIATES, INC.**

## MATURITY SCHEDULE

<u>Maturity Date</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>	<u>Maturity Date</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
2005	\$ 3,505,000	3.00%	NRO	544738FJ1	2012*	\$18,230,000	5.00%	3.32%	544738FT9
2008*	3,000,000	3.00	2.50%	544738FL6	2013*	19,140,000	5.00	3.46	544738FU6
2008*	12,190,000	5.00	2.50	544738FK8	2014*	20,095,000	5.00	3.57	544738FV4
2009*	3,100,000	3.50	2.70	544738FN2	2015*	21,100,000	5.00	3.67	544738FW2
2009*	12,785,000	5.00	2.70	544738FM4	2016*	7,870,000	5.25	3.76	544738FX0
2010*	6,275,000	3.75	2.88	544738FQ5	2017*	8,285,000	5.25	3.83	544738FY8
2010*	10,360,000	5.00	2.88	544738FP7	2018*	8,720,000	5.25	3.89	544738FZ5
2011*	3,000,000	4.00	3.10	544738FS1	2019*	9,180,000	5.25	3.94	544738GA9
2011*	14,385,000	5.00	3.10	544738FR3					

\* Insured by Financial Security Assurance Inc. See "BOND INSURANCE" herein.

† CUSIP data, copyright 2003, American Bankers Association. CUSIP data herein are set forth for convenience of reference only. The District and the Authority assume no responsibility for the accuracy of such data.

**\$181,220,000**  
**Los Angeles County Public Works Financing Authority**  
**Refunding Revenue Bonds Series 2005A**  
**(Los Angeles County Regional Park and Open Space District)**

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**Board of Supervisors**

Gloria Molina  
*First District, Chair*

Yvonne B. Burke  
*Second District*

Zev Yaroslavsky  
*Third District*

Don Knabe  
*Fourth District*

Michael D. Antonovich  
*Fifth District*

Violet Varona-Lukens  
*Executive Officer-Clerk*  
*Board of Supervisors*

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**County Officials**

David E. Janssen  
*Chief Administrative Officer*

Raymond G. Fortner, Jr.  
*County Counsel*

J. Tyler McCauley  
*Auditor-Controller*

Mark J. Saladino  
*Treasurer and Tax Collector*

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**Los Angeles County Regional Park and Open Space District Official**

Russ Guiney  
*Director, Department of Parks and Recreation*

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**Fiscal Agent**

Auditor-Controller of the County of Los Angeles

**Paying Agent**

U.S. Bank National Association

**Financial Advisor**

Public Resources Advisory Group

**Bond Counsel**

Hawkins Delafield & Wood LLP

No dealer, broker, salesperson or other person has been authorized by the Authority, the County, the District or the Underwriters to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the District, the County or the Underwriters. 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 2005A Authority Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2005A Authority 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 facts.

The information set forth in this Official Statement has been obtained from official sources and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. 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 Authority, the District or the County since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2005A Authority Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2005A AUTHORITY BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2005A AUTHORITY BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

Other than with respect to information concerning Financial Security Assurance Inc. (“Financial Security”) contained under the caption “BOND INSURANCE” and Appendix F – “Specimen Municipal Bond Insurance Policy” herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2005A Authority Bonds; or (iii) the tax exempt status of the interest on the Series 2005A Authority Bonds.

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**CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS  
IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend,” “projection” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in Appendix A—“THE DISTRICT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES 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 AND THE AUTHORITY ARE NOT OBLIGATED TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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**\$181,220,000**  
**Los Angeles County Public Works Financing Authority**  
**Refunding Revenue Bonds Series 2005A**  
**(Los Angeles County Regional Park and Open Space District)**

**INTRODUCTION**

*The following introduction presents a brief description of certain information in connection with the Series 2005A Authority Bonds and is qualified in its entirety by reference to the entire Official Statement and the documents summarized or described herein. References to, and summaries of, provisions of the Constitution and the laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms under the applicable indenture. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS - DEFINITIONS OF CERTAIN TERMS.”*

**General Description**

This Official Statement, including the cover page, the inside cover page and attached Appendices (the “Official Statement”), provides certain information concerning the issuance by the Los Angeles County Public Works Financing Authority, a joint exercise of powers entity organized under the laws of the State of California (the “Authority”) of its Refunding Revenue Bonds, Series 2005A (Los Angeles County Regional Park and Open Space District) (the “Series 2005A Authority Bonds”) in the aggregate principal amount of \$181,220,000. The Series 2005A Authority Bonds will be issued and delivered pursuant to an Authority Master Indenture of Trust dated as of November 1, 1997, as amended (the “Master Indenture”) and an Authority Second Supplemental Indenture of Trust dated as of February 1, 2005 (the “Second Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), each by and between the Authority and the Auditor-Controller of the County of Los Angeles, as fiscal agent (the “Fiscal Agent”). The Series 2005A Authority Bonds are being issued to assist the Los Angeles County Regional Park and Open Space District (the “District”) (i) to advance refund a portion of the Authority’s Revenue Bonds, Series 1997A (Los Angeles County Regional Park and Open Space District) (the “Series 1997A Authority Bonds”) originally issued pursuant to the Master Indenture and a First Supplemental Indenture of Trust, dated as of November 1, 1997 (the “Prior Indenture”), and (ii) to pay for costs of issuance incurred in connection with the issuance of the Series 2005A Authority Bonds and the Series 2005A District Bonds (as defined below). See “PLAN OF REFUNDING,” “THE SERIES 2005A AUTHORITY BONDS” and “ESTIMATED SOURCES AND USES OF FUNDS.”

**General Terms of the Series 2005A Authority Bonds**

The Series 2005A Authority Bonds will mature on the dates and in the principal amounts as set forth on the inside cover page of this Official Statement. Interest on the Series 2005A Authority Bonds is payable on April 1 and October 1, commencing on April 1, 2005, computed at the rates set forth on the inside cover page of this Official Statement on the basis of a 360-day year comprised of twelve 30-day months, until the maturity thereof (the “Interest Payment Dates”). The Series 2005A Authority Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof. The Series 2005A Authority Bonds are not subject to redemption. See “THE SERIES 2005A AUTHORITY BONDS.”

The scheduled payment of principal of and interest on the Series 2005A Authority Bonds maturing on October 1 of the years 2008 through 2019, inclusive (the “Insured Bonds”) when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by

FINANCIAL SECURITY ASSURANCE INC. The Series 2005A Authority Bonds maturing on October 1, 2005 will be uninsured (the “Uninsured Bonds”).

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

The Series 2005A Authority Bonds will be issued in fully registered form only and, when issued 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 the depository of the Series 2005A Authority Bonds and all payments due on the Series 2005A Authority Bonds will be made to DTC or its nominee. Ownership interests in the Series 2005A Authority Bonds may be purchased in book-entry form only. See Appendix E – “BOOK-ENTRY-ONLY SYSTEM.”

### **Source of Payment for the Series 2005A Authority Bonds and the Series 2005A District Bonds**

The Series 2005A Authority Bonds are payable from and secured by, among other moneys, Pledged Assessments (as defined below) received by the District and payable with respect to the \$181,220,000 aggregate principal amount of Los Angeles County Regional Park and Open Space District Limited Obligation Improvement Bonds, Series 2005A (the “Series 2005A District Bonds”) which are being purchased by the Authority simultaneously with the delivery of its Series 2005A Authority Bonds. See “SECURITY FOR THE SERIES 2005A AUTHORITY BONDS.” The Series 2005A Authority Bonds, the Series 1997A Authority Bonds that are not refunded by the Series 2005A Authority Bonds (the “Nonrefunded Series 1997A Authority Bonds”) and any additional bonds which may be issued under the Master Indenture are collectively referred to herein as the “Authority Bonds.”

The District’s boundaries are coterminous with the boundaries of the County of Los Angeles (the “County”), encompassing 4,083 square miles and containing approximately 2.2 million parcels. The District was formed and the levy of the maximum annual initial assessment within the District was established at \$9.39 per benefit point (the “Initial Assessment”) pursuant to an official act of the County Board of Supervisors as set forth in its Order of March 17, 1992 (the “1992 Order”). The Initial Assessment was approved by 63.9% of voters within the County voting on the matter on November 3, 1992. The 1992 Order was amended by a resolution of the County Board of Supervisors adopted on June 18, 1996 (the “Resolution”) to establish the levy of an additional maximum annual assessment at \$5.07 per benefit point (the “Additional Assessment” and, together with the Initial Assessment, the “Assessment”). The Additional Assessment was approved by 65.1% of voters within the County voting on the matter on November 5, 1996. The 1992 Order, as amended by the Resolution (the “Order”) provides that a minimum of 80% (but not more than 85%) of all proceeds of annual Assessments collected by the District shall be used for capital outlay projects, including, but not limited to, the acquisition and improvement of real property and the servicing of bonds, notes or other evidences of indebtedness issued by the District. Pursuant to the Order, the Initial Assessment and the Additional Assessment shall be levied for a period of twenty-two (22) years beginning with the fiscal year in which such assessment was first levied and collected by the District, subject to a maximum annual assessment. See “SECURITY FOR THE SERIES 2005A AUTHORITY BONDS,” and Appendix A — “THE DISTRICT – Rate and Method of Assessment” and “– Excerpts of Engineer’s Report.”

Under the provisions of a District Master Indenture of Trust, dated as of February 1, 2005, as amended (the “District Master Indenture”) and a District Second Supplemental Indenture of Trust, dated as of February 1, 2005 (the “District Second Supplemental Indenture” and, together with the District Master Indenture, the “District Indenture”), each by and between the District and the Fiscal Agent, all Assessments and the proceeds of any foreclosure proceedings attributable thereto, less the amounts deducted and set aside for service, maintenance and administrative expenses in accordance with the Order (the “Pledged Assessments”), are pledged to payment of principal of, premium, if any, and interest on the

Series 2005A District Bonds, the Series 1997A District Bonds that are not refunded by the Series 2005A Authority Bonds (the “Nonrefunded Series 1997A District Bonds”) and any additional bonds which may be issued under the District Master Indenture (the Series 2005A District Bonds together with the Nonrefunded Series 1997A District Bonds, the “District Bonds”). Pursuant to applicable law and the Order, the annual Assessments shall include an amount sufficient to provide for annual debt service on the Nonrefunded Series 1997A Authority Bonds and the Series 2005A Authority Bonds, subject to a maximum annual assessment, and shall be included on the regular County tax bills for parcels of property against which there are assessments. See “SECURITY FOR THE SERIES 2005A AUTHORITY BONDS,” Appendix A — “THE DISTRICT – Rate and Method of Assessment” and “– Excerpts of Engineer’s Report” and Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture.” Under the District Master Indenture, the District covenants that, unless otherwise required by applicable law, the District shall not take, or cause to be taken, any action that will result in the reduction of the amount of the levy of Pledged Assessments with respect to any Fiscal Year below an aggregate amount equal to 1.15 times the Maximum Annual Debt Service on all Outstanding District Bonds and any District Bonds that the District reasonably expects to be issued during the then-present Fiscal Year. See Appendix A — “THE DISTRICT” and Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture.”

The proceeds of any additional Authority Bonds hereafter issued will be applied to purchase additional District Bonds hereafter issued by the District in accordance with the Order and under and pursuant to the District Indenture. The District Bonds, including the Series 2005A District Bonds, are secured on a parity basis by a first lien and charge on and pledge of Pledged Assessments. Additional series of Authority Bonds may be issued under and pursuant to the provisions of the Master Indenture as is deemed appropriate by the Authority and the District to provide funds, through the purchase of additional District Bonds, to assist the District to finance capital outlay projects of the District, including, but not limited to, the acquisition and improvement of real property and the servicing of bonds, notes or other evidences of indebtedness issued by the District. The Series 2005A Authority Bonds, the Nonrefunded Series 1997A Authority Bonds and such additional Authority Bonds issued from time to time in accordance with the Master Indenture and any supplemental indenture shall have an equal lien and charge upon the Pledged Revenues. See “SECURITY FOR THE SERIES 2005A AUTHORITY BONDS – Additional Bonds” and Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS - The Master Indenture.”

### **Reserve Account**

A reserve account (the “2005A Reserve Account”) will be established within the Los Angeles County Regional Park and Open Space District Limited Obligation Improvement Bonds Reserve Fund (the “Reserve Fund”) held under the District Indenture in order to secure the payment of principal of and interest on the District Bonds. The Reserve Fund will be funded to equal the Reserve Requirement which is defined as an amount equal, as of any date of calculation, to the least of (i) 10% of the original principal amount of the District Bonds, (ii) 125% of the average amount of principal and interest becoming due and payable on the District Bonds during each full Fiscal Year after the date of calculation, or (iii) the greatest amount of principal and interest becoming due and payable on all District Bonds in any six calendar month period after the date of calculation. The initial deposit to the 2005A Reserve Account will be made from the transfer of amounts previously on deposit in the 1997A Reserve Account. See “ESTIMATED SOURCES AND USES OF FUNDS.” If on any interest payment date for the Series 2005A District Bonds the amounts on deposit under the District Indenture to pay the principal of and interest due on the Series 2005A District Bonds are insufficient therefor, amounts in the 2005A Reserve Account shall be applied to make up such deficiencies. Deposits are required to be made to the 2005A Reserve Account to restore any deficiency therein from Pledged Assessments and Investment Earnings to

the extent required under the District Indenture. See “SECURITY FOR THE SERIES 2005A AUTHORITY BONDS – Reserve Account” and Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture – District Pledged Revenues and Funds – Reserve Fund; 2005A Reserve Account.”

### **Additional Bonds**

Under the Master Indenture, the Authority may issue additional Authority Bonds for the purpose of refunding bonds previously issued by the Authority and assisting the District with the financing of additional capital outlay projects and grants of the District set forth in the Order through the purchase of additional District Bonds. Under the District Indenture, the District may issue such additional District Bonds on a parity with the Outstanding District Bonds so long as, among other things, there shall first be delivered to the Fiscal Agent a certificate of the County certifying that, based upon a review of the books and records maintained by the District for each fiscal year, the product of (i) the total number of benefit points in the District as of the last day of the Fiscal Year ended next prior to the date on which such District Bonds are to be issued times (ii) 80% of the maximum dollar amount per benefit point at which Assessments are authorized to be levied in each Fiscal Year thereafter during which District Bonds are scheduled to be outstanding times (iii) the percentage, as certified by the Auditor-Controller of the County, of the County’s secured property tax levy for such prior Fiscal Year actually collected during such prior Fiscal Year, equals at least 1.15 times the Maximum Annual Debt Service in any Fiscal Year thereafter on all District Bonds to be Outstanding immediately subsequent to the issuance of the additional District Bonds. Under the District Indenture, the District may issue refunding bonds on a parity with outstanding District Bonds without meeting the test set forth above so long as a certificate of the County is delivered showing that the Annual Debt Service in each year on the refunding bonds of the District will not exceed the Annual Debt Service in each year that would have been payable with respect to the refunded bonds of the District had the refunding bonds of the District not been issued. See “SECURITY FOR THE SERIES 2005A AUTHORITY BONDS” and Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture.”

At the time of issuance of the Series 2005A District Bonds, the County will certify that the requirements to the issuance of the Series 2005A Authority Bonds and Series 2005A District Bonds have been met.

### **The Authority**

The Authority is a joint exercise of powers entity formed by agreement pursuant to Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code. For additional information regarding the Authority see “THE AUTHORITY.”

### **The District**

The District is duly organized and existing under the laws of the State of California (the “State”), pursuant to Division 5 of the California Public Resources Code and the Order. The District’s boundaries are coterminous with the boundaries of the County. The District covers 4,083 square miles and includes approximately 2.2 million parcels. See “THE DISTRICT” and Appendix A — “THE DISTRICT.”

### **Limited Obligation**

THE SERIES 2005A AUTHORITY BONDS ARE SPECIAL, LIMITED OBLIGATIONS PAYABLE SOLELY FROM CERTAIN PAYMENTS RECEIVED BY THE AUTHORITY FROM THE DISTRICT, WHICH INCLUDE PLEDGED ASSESSMENTS. NEITHER THE SERIES 2005A

AUTHORITY BONDS NOR THE SERIES 2005A DISTRICT BONDS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE COUNTY, THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY. THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE SERIES 2005A AUTHORITY BONDS DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

### **Continuing Disclosure**

The District has covenanted in the District Indenture to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository and any public or private repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission certain annual financial information and operating data of the type set forth herein including, but not limited to, its Audited Financial Statements and, in a timely manner, notice of certain material events. See “Continuing Disclosure” for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the disclosure undertaking pursuant to which such reports and notices are to be made. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. The District has never failed to comply with said Rule regarding the filing of annual reports or notices of material events. The County 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.

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2005A Authority Bonds and the Authority will not provide any such information. The Authority shall have no liability to the holders of the Series 2005A Authority Bonds with respect to the disclosure obligations undertaken by the District.

### **PLAN OF REFUNDING**

The proceeds of the Series 2005A Authority Bonds will be applied (i) to advance refund a portion of the Series 1997A Authority Bonds, and (ii) to pay for costs of issuance incurred in connection with the issuance of the Series 2005A Authority Bonds and the Series 2005A District Bonds. The Series 1997A Authority Bonds were issued to advance refund the outstanding principal amount of the Authority’s Revenue Bonds, Series 1994A (Los Angeles County Regional Park and Open Space District) (the “Series 1994A Authority Bonds”), and to assist the District in financing the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District (the “Projects”). See “THE SERIES 2005A AUTHORITY BONDS” and “ESTIMATED SOURCES AND USES OF FUNDS.” The proceeds of the sale of the Series 2005A Authority Bonds to be applied to advance refund the Series 1997A Authority Bonds will be deposited into an Escrow Fund pursuant to an escrow agreement dated as of February 1, 2005 (the “Escrow Agreement”) by and between the Authority and U.S. Bank National Association, as escrow holder (the “Escrow Holder”), which amounts, together with amounts transferred from certain funds held under the District Indenture, will be invested and reinvested in Government Obligations, as defined in the Indenture (the “Escrow Securities”).

The Series 2005A Authority Bonds are being issued to advance refund the following Authority Bonds as set forth in this table below (the “Refunded Bonds”) in order to achieve debt service savings.

**Authority Revenue Bonds, Series 1997A**

Maturity Date (October 1)	Prior CUSIP*	Refunded CUSIP*	Refunded Principal <sup>1</sup>	Non-Refunded CUSIP*	Non-Refunded Principal
2008	544738DK0	544738GB7	\$15,365,000	544738GL5	\$ 8,480,000
2009	544738DL8	544738GC5	16,210,000	544738GM3	8,950,000
2010	544738DM6	544738GD3	17,100,000	544738GN1	9,440,000
2011	544738DN4	544738GE1	18,040,000	544738GP6	9,960,000
2012	544738DP9	544738GF8	19,035,000	544738GQ4	10,505,000
2013	544738DR5	544738GH4	14,510,000	544738GS0	8,005,000
2013	544738DQ7	544738GG6	5,570,000	544738GR2	3,080,000
2016	544738DS3	544738GJ0	52,410,000 <sup>2</sup>	544738GT8	28,940,000
2019	544738DT1	544738GK7	29,935,000 <sup>3</sup>	544738GU5	16,530,000

1. Redemption date is October 1, 2007. Redemption price is 101%.
  2. Represents portions of the following mandatory sinking fund payments in the indicated amounts: \$21,155,000 of the sinking fund payment due on October 1, 2014, \$22,215,000 of the sinking fund payment due on October 1, 2015 and \$9,040,000 of the sinking fund payment due on October 1, 2016.
  3. Represents portions of the following mandatory sinking fund payments in the indicated amounts: \$9,495,000 of the sinking fund payment due on October 1, 2017, \$9,970,000 of the sinking fund payment due on October 1, 2018 and \$10,470,000 of the sinking fund payment due on October 1, 2019.
- \* CUSIP data, copyright 2003, American Bankers Association. CUSIP data herein are set forth for convenience of reference only. The District and the Authority assume no responsibility for the accuracy of such data.

**ESTIMATED SOURCES AND USES OF FUNDS**

The sources and uses of funds are estimated to be as follows:

*Sources of Funds:*

Principal Amount of Series 2005A Authority Bonds .....	\$181,220,000.00
Net Original Issue Premium.....	19,539,408.75
Amounts held under the District Indenture <sup>(1)</sup> .....	<u>19,964,441.59</u>
Total Sources .....	<u>\$220,723,850.34</u>

*Uses of Funds:*

Escrow Fund.....	\$201,910,808.62
2005A Reserve Account.....	17,757,355.71
Costs of Issuance <sup>(2)</sup> .....	<u>1,055,686.01</u>
Total Uses.....	<u>\$220,723,850.34</u>

- (1) Represents moneys released from certain accounts under the District Indenture.
- (2) Includes amounts for legal fees, Paying Agent fees, financial advisory fees, rating agency fees, printing costs, Underwriters’ discount, bond insurance premium and other costs.

## THE SERIES 2005A AUTHORITY BONDS

### General

The Series 2005A Authority Bonds will mature on the dates and in the principal amounts, and the interest thereon shall be computed at the rates, all as set forth on the inside cover page of this Official Statement. Interest on the Series 2005A Authority Bonds is payable on April 1 and October 1 of each year, commencing on April 1, 2005, computed on the basis of a 360-day year comprised of twelve 30-day months, until the maturity thereof (the "Interest Payment Dates"). Ownership interests in the Series 2005A Authority Bonds may be purchased in denominations of \$5,000 or any integral multiple thereof in book-entry form only. Principal of and interest on the Series 2005A Authority Bonds are payable by U.S. Bank National Association, as paying agent (the "Paying Agent"), to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the Series 2005A Authority Bonds, as described below. See Appendix E – "BOOK-ENTRY-ONLY SYSTEM."

### Redemption

The Series 2005A Authority Bonds are not subject to redemption.

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Series 2005A Authority Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds maturing on October 1 of the years 2008 through 2019, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

### Financial Security Assurance Inc.

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

At September 30, 2004, Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,255,933,000 and its total unearned premium reserve was approximately \$1,561,771,000 in accordance with statutory accounting practices. At September 30, 2004, Financial Security's total shareholder's equity was approximately \$2,612,989,000 and its total net unearned premium reserve was approximately \$1,286,985,000 in accordance with generally accepted accounting principles.

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

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

## **SECURITY FOR THE SERIES 2005A AUTHORITY BONDS**

### **Pledge of Assessments**

The Series 2005A Authority Bonds are payable from and secured by, among other moneys, Pledged Assessments received by the District and payable with respect to the Series 2005A District Bonds which are being purchased by the Authority simultaneously with the delivery of its Series 2005A Authority Bonds. See “INTRODUCTION” – Source of Payment for the Series 2005A Authority Bonds and Series 2005A District Bonds.” Pursuant to Section 5506.9 of the Public Resources Code and the Order, in each of the first 20 years after the date an assessment is levied and collected, at least 80% (but not more than 85%) of all proceeds of Assessments collected by the District shall be used for capital outlay projects, including, but not limited to, the acquisition and improvement of real property and the servicing of bonds, notes or other evidences of indebtedness issued by the District. Pursuant to the Order, on an annual basis, not less than 15% (nor more than 20% as determined by the County Board of Supervisors) of all proceeds of Assessments collected by the District shall be set aside to be used only to maintain and service capital outlay projects funded with Assessments or proceeds of bonds, notes or other evidences of indebtedness issued by the District and not more than 5% of all proceeds of Assessments collected by the District may be used for costs of administration of the District. Under the District Indenture, all Assessments and the proceeds of any foreclosure proceedings attributable thereto, less the amounts deducted and set aside for service, maintenance and administrative expenses, are pledged to payment of principal of, premium, if any, and interest on the District Bonds on a parity basis, including the Series 2005A District Bonds (the “Pledged Assessments”). Pursuant to applicable law and the Order, the annual Assessments shall include an amount sufficient to provide for annual debt service on all outstanding Authority Bonds, including the Series 2005A Authority Bonds, subject to a maximum annual assessment, and shall be included on the regular County tax bills for parcels of property against which there are Assessments. See Appendix A — “THE DISTRICT – Rate and Method of Assessment” and “– Excerpts of Engineer’s Report” and Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture.”

The District’s historic debt service coverage with respect to the Assessments and a summary of Projected Debt Service Coverage available to pay debt service on the Series 2005A Authority Bonds are set forth in Appendix A — “THE DISTRICT – Historical Debt Service Coverage” and “– Assessment Projection.” A summary statement of the District’s collections and delinquencies for fiscal years 1999-00 through 2003-04 with respect to the collection of the Assessments is set forth in Appendix A — “THE DISTRICT – Annual Assessment.”

The District has no obligation to institute judicial foreclosure proceedings in the event of a delinquency by any particular property owner in the payments of Assessments, but has covenanted to take such actions with respect to such delinquencies as are consistent with the policy of the County regarding delinquent property taxes generally. Assessments constitute fixed liens on the parcels assessed within the District and do not constitute personal indebtedness of the respective owners of such lots and parcels. Accordingly, in the event of delinquency, proceedings may be conducted only against the real property securing the delinquent Assessment. Under the District Master Indenture, the District covenants that, unless otherwise required by applicable law, the District shall not take, or cause to be taken, any action that will result in the reduction of the amount of the levy of Pledged Assessments with respect to any Fiscal Year below an aggregate amount equal to 1.15 times the Maximum Annual Debt Service on all Outstanding District Bonds and any District Bonds that the District reasonably expects to be issued during the then-present Fiscal Year. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture” and Appendix A — “THE DISTRICT.”

### **Limited Obligation**

The Series 2005A Authority Bonds are special, limited obligations of the Authority payable solely from certain payments received by the Authority from the District, which include Pledged Assessments, and certain funds and accounts held under the Indenture. Under the Indenture, payments of principal of, premium, if any, and interest on the Series 2005A District Bonds constitute “Pledged Revenues” with respect to the Series 2005A Authority Bonds. The District Bonds are limited obligations of the District payable from and secured principally by the Pledged Assessments and also all moneys deposited and held in the funds and accounts established under the District Indenture, and all interest, profits and other income received from the investment of the Pledged Assessments. Neither the Series 2005A Authority Bonds nor the Series 2005A District Bonds constitutes an indebtedness of the Authority, the County, the District, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation, or a pledge of the faith and credit of the County. The obligation of the Authority to pay principal of or interest on the Series 2005A Authority Bonds does not constitute an obligation of the Authority for which the Authority is obligated to levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation. The Authority has no taxing power. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Master Indenture.”

### **Reserve Account**

The 2005A Reserve Account will be established within the Reserve Fund held under the District Indenture in an amount equal, as of any date of calculation, to the least of (i) 10% of the original principal amount of the District Bonds, (ii) 125% of the average amount of principal and interest becoming due and payable on District Bonds during each full Fiscal Year after the date of calculation, or (iii) the greatest amount of principal and interest becoming due and payable on all District Bonds in any six calendar month period after the date of calculation. The initial deposit to the 2005A Reserve Account will be made from amounts available to the District under the Prior Indenture. See “ESTIMATED SOURCES AND USES OF FUNDS”. If on any interest payment date with respect to the Series 2005A District Bonds the amounts on deposit in the District Indenture to pay the principal of and interest due on the Series 2005A District Bonds are insufficient therefor, amounts in the 2005A Reserve Account shall be applied to make up such deficiencies. Deposits are required to be made to the 2005A Reserve Account to restore any deficiency therein from Pledged Assessments and Investment Earnings to the extent required under the District Indenture. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture – District Pledged Revenues and Funds – Reserve Fund; 2005A Reserve Account.”

At the option of the District, amounts required to be held in the 2005A Reserve Account may be initially provided or substituted, in whole or in part, by the deposit with the Fiscal Agent of a Reserve Fund Credit Policy in a stated amount equal to the amounts to be initially provided or so substituted, *provided* that prior to any substitution of such amounts held in the 2005A Reserve Account, the Rating Agencies shall have been notified of such proposed substitution and the substitution shall not result in a downgrading or withdrawal of any rating of any Authority Bonds or District Bonds then in effect by the Rating Agencies. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture – District Pledged Revenues and Funds – Reserve Fund; 2005A Reserve Account.”

### **Additional Bonds**

Under the Master Indenture, the Authority may issue additional Authority Bonds for the purpose of refunding bonds previously issued by the Authority and of assisting the District with the financing of additional capital outlay projects and grants of the District set forth in the Order through the purchase of additional District Bonds. Under the District Indenture, the District may issue such additional District Bonds on a parity with the Outstanding District Bonds so long as, among other things, there shall first be delivered to the Fiscal Agent a certificate of the County certifying that, based upon a review of the books and records maintained by the District for each fiscal year, the product of (i) the total number of benefit points in the District as of the last day of the Fiscal Year ended next prior to the date on which such District Bonds are to be issued times (ii) 80% of the maximum dollar amount per benefit point at which Assessments are authorized to be levied in each Fiscal Year thereafter during which District Bonds are scheduled to be outstanding times (iii) the percentage, as certified by the Auditor-Controller of the County, of the County’s secured property tax levy for such prior Fiscal Year actually collected during such prior Fiscal Year, equals at least 1.15 times the Maximum Annual Debt Service in any Fiscal Year thereafter on all District Bonds to be Outstanding immediately subsequent to the issuance of the additional District Bonds. Under the District Indenture, the District may issue refunding bonds on a parity with outstanding District Bonds without meeting the test set forth above so long as a certificate of the County is delivered showing that the Annual Debt Service in each year on the refunding bonds of the District will not exceed the Annual Debt Service in each year that would have been payable with respect to the refunded bonds of the District had the refunding bonds of the District not been issued. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture.”

At the time of issuance of the Series 2005A District Bonds, the County will certify that the requirements to the issuance of the Series 2005A Authority Bonds and Series 2005A District Bonds have been met.

### **Investment of Funds and Accounts**

Pursuant to the Order, Assessments shall be deposited by the Fiscal Agent into the Assessment Revenue Fund. Such funds are generally deposited into the County Treasury to the credit of the proper fund of the District and invested in accordance with County investment policies. See Appendix C — “THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS.” Pursuant to the Authority Indenture, moneys held by the Fiscal Agent in any fund or account under such indenture shall be invested in Permitted Investments pending application as provided therein. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The District Master Indenture.”

## CERTAIN RISK FACTORS

*This Official Statement discusses many matters any one of which may have an impact on the security for the Series 2005A Authority Bonds and the Series 2005A District Bonds. This section highlights certain risks inherent in the transaction, but is not, and is not intended to be, a complete list or discussion of the risks associated with this transaction.*

### General

Pledged Assessments securing the District Bonds are determined annually based on the size and use of each parcel. A change in land use or improvements of property in the District caused by economic factors beyond the District's and the Authority's control, such as the complete or partial destruction of such property caused by, among other unforeseen events, an earthquake, other natural disaster or civil unrest, or the exemption of a property from taxation by reason of a transfer in ownership by a non-taxable entity such as the federal government or another public agency, could cause a reduction in the Pledged Assessments securing the District Bonds. Such reduction of Assessments could have an adverse impact on the District's ability to make timely payments of principal and interest on the District Bonds to the Authority and, accordingly, the Authority's ability to pay principal of and interest to holders of the Series 2005A Authority Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the District's ability to make timely debt service payments to the Authority, and so effect the security of the Series 2005A Authority Bonds. The Authority has no power to levy and collect property taxes. See Appendix A — "THE DISTRICT."

Legislation or initiative measures impacting property, property tax allocation or the rate or rates of assessment may affect the security of the Series 2005A Authority Bonds. The implementation of any constitutional or legislative property tax decrease could reduce the Assessments, and accordingly, could have an adverse impact on the ability of the District to pay debt service on the District Bonds secured by the Pledged Assessments. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations which could adversely affect the security of the District Bonds.

### Timing of Foreclosures

The District has no obligation to institute judicial foreclosure proceedings in the event of a delinquency by any particular property owner in the payments of Assessments, but has covenanted to take such actions with respect to such delinquencies as are consistent with the policy of the County regarding delinquent property taxes generally. Assessments are levied and collected with the County's general tax levy. Accordingly, the District anticipates collection and delinquency rates equivalent with the County's general tax levy. The County anticipates, based on current practice, that it will, on behalf of the District, foreclose any unpaid Assessment with delinquent general *ad valorem* taxes after the fifth year of delinquency. During the past five years, delinquency rates have ranged from a high of 3.88% in Fiscal Year 1999-00 to a low of 2.94% in Fiscal Year 2003-04. Revenue projections contained in this Official Statement have assumed the Fiscal Year 2002-03 delinquency rate of 3.27%, and a ten percent redemption penalty fee as well as an average annual delinquency interest rate of 9% and the County's existing assumptions regarding delinquency recovery rates of 91% over 5 years based on a "sliding scale" of 45% recovery for year one, 22% for year two, 11% for year three, 9% for year four, and 4% for year five. The actual County delinquency interest rate is 1.5% per month (or 18% annualized). A 9% delinquency interest rate assumption is premised on straight-line collections through the fiscal year. Thus, delinquency interest rates are 9% for collections of past due assessments during the first year, 18% for the second year, 27% for the third year, 36% for the fourth year and 45% for the fifth year.

## **Proposition 218**

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” or Proposition 218 (“Proposition 218”) was approved by the voters of the State of California at the November 5, 1996 general election. Proposition 218 added Article XIIC (“Article XIIC”) and Article XIID to the California constitution. According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Among other things, Section 3 of Article XIII 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.” 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 Proposition 218 has not conferred on the voters the power to repeal or reduce the Assessments if such reduction would interfere with the timely retirement of the Series 2005A Authority Bonds.

The Authority and the District are unable to predict whether and to what extent Proposition 218 may be judicially determined to be consistent with the United States Constitution or how its terms will be interpreted and applied by the courts. The Assessment is not subject to the procedures for imposing assessments under Proposition 218 because it was approved by a majority vote of the electorate prior to the effective date of Proposition 218. However, Proposition 218 purports to permit local initiative measures which could subject the Assessments to reduction, amendment or repeal. This initiative power is not limited by the terms of Proposition 218 and, absent the application of other legal authority, could result in a local initiative measure to retroactively reduce or repeal the Assessment. Such other legal authority includes Government Code Section 5854 discussed above and the prohibition of impairment of contracts under the contract clause of the United States Constitution. Other than any impact resulting from the exercise of this initiative power, presently neither the Authority nor the District believes that Proposition 218 will have any effect on the Assessment or the Series 2005A Authority Bonds.

## **Future Initiatives**

Proposition 218 was adopted as a ballot measure that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the County or local districts, including the District, to increase revenues or to increase appropriations which may affect the District’s revenues or its ability to expend its revenues.

## **No Acceleration Provisions**

The Series 2005A Authority Bonds do not contain a provision allowing for the acceleration of either the Series 2005A Authority Bonds or the Series 2005A District Bonds in the event of a payment default or other default under the terms of the Series 2005A Authority Bonds or the Indenture.

## **Funds Invested in the County Treasury**

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 Assessments, such funds may be invested in the name of the Fiscal Agent for a period of time in the County Treasury. See Appendix C – “THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS”. 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 Assessments where such amounts are deposited in the County Treasury 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 Treasury, 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 Assessments.

## **Parity Obligations**

The Assessment 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 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 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 parity with the Assessment. Accordingly, the liens on the property within the District could increase materially without any corresponding increase in the value of the property within the District and thereby reduce the ratio that exists at the time the bonds are issued between the value of the property and the debt secured by the taxes and assessments thereon. Further, the imposition of additional indebtedness could reduce the willingness and the ability of the property owners within the District to pay the Assessments when due. See Appendix A – “THE DISTRICT – Overlapping Debt” herein.

## **Limitations on Remedies**

The enforceability of the rights and remedies of the holders of the Series 2005A Authority Bonds and the Fiscal Agent, and the obligations incurred by the District as described herein, may be subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the federal government of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the holders of the Series 2005A Authority Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modifications of their rights.

## THE AUTHORITY

The Authority is a public agency duly organized and existing pursuant to a Joint Exercise of Powers Agreement (the “JPA Agreement”) between the Los Angeles County Flood Control District and the County dated May 18, 1993, as amended by a Certificate of Amendment dated April 26, 1994 and a Certificate of Amendment dated October 22, 1996 to, among other things, include the District as a member. The Authority is statutorily authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and is empowered under the JPA Agreement to issue its bonds for the purposes of the plan of financing described herein. The debts, liabilities and obligations of the Authority shall not be the debts, liabilities and obligations of the members of the Authority, or any of them.

The Authority is administered by the members of the Board of Supervisors of the County acting *ex-officio* as the Board of Directors of the Authority. The Chair of the Board of Supervisors of the County, the Executive Officer-Clerk of the Board of Supervisors of the County, the Treasurer and Tax Collector of the County and the Auditor-Controller of the County shall act *ex-officio* as, respectively, the Chair, Secretary, Treasurer and Auditor-Controller of the Authority as provided in the JPA Agreement and pursuant to the California Government Code. All deputies or assistants of officers of the County shall be *ex-officio* deputies or assistants of such officers in their respective capacities as officers *ex-officio* of the Authority.

## THE DISTRICT

The District was formed and the Assessments are levied pursuant to Sections 5538.9 and 5539.9 of the California Public Resources Code, the Order and the Landscaping and Lighting Act of 1972 (Sections 22500 *et seq.* of the California Streets and Highways Code). The District is governed by the County Board of Supervisors acting *ex-officio* as the Board of Directors of the District. The District’s day-to-day operations are administered by the County Parks and Recreation Department (the “Department”). The District was established to improve the preservation of beaches, parks and wildlands, the construction, renovation and improvement of new and existing recreational facilities and the restoration of rivers, streams and trails in the County. The District’s boundaries are coterminous with those of the County, encompass 4,083 square miles and contain approximately 2.2 million parcels. A full review of this Official Statement, including Appendix A — “THE DISTRICT,” should be made by potential purchasers of the Series 2005A Authority Bonds.

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2005A Authority Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2005A Authority Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County and others in connection with the Series 2005A Authority Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with

applicable requirements of the Code to assure the exclusion of interest on the Series 2005A Authority Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2005A Authority Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2005A Authority Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2005A Authority Bonds, or under state and local tax law.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2005A Authority Bonds in order that interest on the Series 2005A Authority Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2005A Authority Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2005A Authority Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2005A Authority Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2005A Authority Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2005A Authority Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2005A Authority Bonds.

Prospective owners of the Series 2005A Authority Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Series 2005A Authority Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the

Series 2005A Authority Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2005A Authority Bonds.

### **Bond Premium**

In general, if an owner acquires a Series 2005A Authority Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2005A Authority Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, 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 such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **CERTAIN LEGAL MATTERS**

Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel, will render its legal opinion with respect to the Series 2005A Authority Bonds substantially in the form set forth in Appendix D -- “Form of Bond Counsel Approving Opinion” attached hereto. At the time of delivery of the Series 2005A Authority Bonds, Bond Counsel will also render its legal opinion with respect to the Series 2005A District Bonds. Certain legal matters will be passed upon by for the Underwriters by their counsel Squire, Sanders & Dempsey L.L.P., Los Angeles, California, and for the Authority and the District by the County Counsel of the County of Los Angeles.

### **VERIFICATION**

Grant Thornton LLP, a firm of independent certified public accountants, will verify the mathematical accuracy of computations relating to (a) the adequacy of the Escrow Securities and the interest thereon and any initial cash deposit to the escrow fund to pay when due the scheduled payments of principal of, interest and redemption price on the Series 1997A Authority Bonds on and after October 1, 2007, and (b) the arbitrage yield on the Series 2005A Authority Bonds and the yield on the investments in the escrow fund for the Series 1997A Authority Bonds.

## **FINANCIAL ADVISOR**

Public Resources Advisory Group served as Financial Advisor in connection with the issuance of the Series 2005A Authority Bonds and the Series 2005A District Bonds. The Financial Advisor has not been engaged, nor have they undertaken, to make an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement.

## **LITIGATION**

To the best knowledge of the Authority and the District, there is no pending or threatened litigation concerning the validity of the Series 2005A Authority Bonds or the Series 2005A District Bonds, the pledge of the Pledged Revenues, the Pledged Assessments or the validity of the Assessments, or challenging any action taken by the Authority or the District in connection with the authorization of the Indenture, the District Indenture, or any other document relating to the Series 2005A Authority Bonds or the Series 2005A District Bonds to which the Authority or the District is or is to become a party or the performance by the Authority or the District of any of their respective obligations under any of the foregoing.

## **RATINGS**

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned their municipal bond ratings of "Aa3", "AA" and "AA," respectively, without regard to the Municipal Bond Insurance Policy, to the Series 2005A Authority Bonds. Moody's, S&P and Fitch have assigned the ratings of "Aaa", "AAA" and "AAA", respectively, to the Insured Bonds based on the understanding that the Insurer will deliver the Municipal Bond Insurance Policy upon delivery of the Insured Bonds. Such ratings reflect only the view of such organizations and an explanation of the significance of such ratings may be obtained from them as follows: Moody's Investors Service, 99 Church St., New York, New York 10007, (212) 553-0300; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, (212) 438-2124; Fitch Ratings, One State Street Plaza, New York, New York 10004, (212) 908-0500. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if in the judgment of such rating agencies circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2005A Authority Bonds.

## **UNDERWRITING**

The Series 2005A Authority Bonds are being purchased by Lehman Brothers Inc., as representative of the Underwriters listed on the cover page hereof (the "Underwriters"). The Underwriters have agreed to purchase the Series 2005A Authority Bonds at a price of \$200,439,016.00 (which represents the aggregate principal amount of the Series 2005A Authority Bonds, plus original issue premium of \$19,539,408.75, less Underwriters' discount of \$320,392.75). The contract of purchase pursuant to which the Series 2005A Authority Bonds are being purchased by the Underwriters provides that the Underwriters will purchase all of the Series 2005A Authority Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

The Underwriters may offer and sell the Series 2005A Authority Bonds to certain dealers and others at prices different from the prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

### CONTINUING DISCLOSURE

The District has covenanted in the District Indenture for the benefit of holders of the Series 2005A Authority Bonds to provide, or cause to be provided no later than 210 days after the end of each fiscal year, commencing with the Fiscal Year ending June 30, 2005, to (i) each Nationally Recognized Municipal Securities Information Repository (a “National Repository”), and (ii) to the appropriate state information repository for the State of California, if any (a “State Repository”) certain “annual financial information” as described in Securities and Exchange Commission Rule 15c2–12 under the Exchange Act (the “Rule”) with respect to the District relating to the immediately preceding Fiscal Year of the District, which annual financial information shall generally contain information relating to (a) the receipts, expenditures and financial obligations of the District, generally as set forth in tabular form in Appendix A — “The District” under the captions “Budget,” “General Fund Revenues and Expenditures,” and “Rate and Method of Assessment,” (b) historical receipts and expenditures of the District, including but not limited to the financial and statistical information set forth in tabular form in Appendix A — “The District” under the captions “Historical Debt Service Coverage,” and “Assessment Levies and Collections,” (c) the delinquencies in payments of Assessments, including but not limited to the financial and statistical information set forth in tabular form in Appendix A — “The District” under the caption “Annual Assessment,” (d) the information set forth in Appendix C — “The Los Angeles County Pooled Surplus Investments,” and (e) the audited financial statements of the District for the immediately preceding Fiscal Year prepared in accordance with generally accepted accounting principles, if available. In addition, the District has agreed to provide, or cause to be provided, to each National Repository or the Municipal Securities Rulemaking Board (the “MSRB”) and a State Repository, in a timely manner notice of the following “Listed Events” if determined by the District to be material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on the debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of or failure to perform by any credit provider; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2005A Authority Bonds; (7) modifications to rights of holders of the Series 2005A Authority Bonds; (8) Series 2005A Authority Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2005A Authority Bonds; and (11) rating changes. In addition, the District covenants in a timely manner, to provide or cause to be provided to each National Repository or to the MSRB, and to the appropriate State Repository, if any, notice of the failure of the District to provide annual financial information on or before 210 days after the end of each fiscal year.

These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2–12(b)(5). The District has never failed to comply with said Rule regarding the filing of annual reports or notices of material events. The County 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. The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2005A Authority Bonds and the Authority will not provide any such information. The Authority shall have no liability to the holders of the Series 2005A Authority Bonds with respect to the disclosure obligation undertaken by the District.

The District’s obligations under the Master District Indenture with respect to continuing disclosure shall terminate upon payment in full of all of the District Bonds. If such termination occurs

prior to the final maturity of the District Bonds, the District shall give notice of such termination in the same manner as for a Listed Event.

### **ADDITIONAL INFORMATION**

The purpose of this Official Statement is to supply information to prospective buyers of interests in the Series 2005A Authority Bonds. Quotations and summaries and explanations of the Series 2005A Authority Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions.

The Authority and the District regularly prepare a variety of annual reports, including audits, budgets and related documents. Any owner of a Series 2005A Authority Bond may obtain a copy of any such report as they become available or request additional information from the Authority at the address set forth below.

The preparation and distribution of this Official Statement have been authorized by the Authority and the District. Additional information regarding this Official Statement may be obtained by contacting:

GLENN BYERS  
DIRECTOR, OFFICE OF PUBLIC FINANCE AND INVESTMENTS  
COUNTY OF LOS ANGELES TREASURER'S OFFICE  
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432  
500 WEST TEMPLE STREET  
LOS ANGELES, CALIFORNIA 90012  
(213) 974-7175

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**APPENDIX A**  
**THE DISTRICT**

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**THE DISTRICT**

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## THE DISTRICT

**Description of the District.** The District was formed and the annual Assessment is levied pursuant to Sections 5538.9 and 5539.9 of the California Public Resources Code, the Order (as defined below) and the Landscaping and Lighting Act of 1972 (Sections 22500 *et seq.* of the California Streets and Highways Code). On November 3, 1992, the District was established in accordance with Section 5539.9 of the California Public Resources Code and the Initial Assessment (as defined below) was approved by a majority of the voters voting on the Safe Neighborhood Parks proposition of 1992. The District was established to improve the preservation of beaches, parks and wildlands; the construction, renovation and improvement of new and existing recreational facilities; and the restoration of rivers, streams and trails in the County. The District's boundaries are coterminous with those of the County, encompass 4,083 square miles and contain approximately 2.2 million parcels.

Pursuant to the Order (as defined below) and applicable law, the District is governed by the County Board of Supervisors acting *ex-officio* as the Board of Directors of the District. The District's day-to-day operations are administered by the County Department of Parks and Recreation (the "Department"). The Department is responsible for the administration and funding of the District's programs and operations. In this capacity, the Department has coordinated the levy of the Assessment as well as the establishment of its accounting and budgetary systems. The Department has developed policies and procedures governing the application for and allocation of funds for Specified Projects, Competitive Grant Projects, and Per-Parcel Discretionary Projects.

**Description and Purpose of the Assessments.** The District's primary revenue source is the Assessments which are levied annually on each of the approximately 2.2 million parcels within the District's boundaries, except for uninhabited agricultural lands, cemeteries, utilities and other exempt parcels. The District was formed and the levy of the maximum annual initial assessment within the District was established at \$9.39 per benefit point (the "Initial Assessment") pursuant to an official act of the County Board of Supervisors as set forth in its Order of March 17, 1992 (the "1992 Order"). The Initial Assessment was approved by 63.9% of voters within the County voting on the matter on November 3, 1992. The 1992 Order was amended by a resolution of the County Board of Supervisors adopted on June 18, 1996 (the "Resolution") to establish the levy of an additional maximum annual assessment at \$5.07 per benefit point (the "Additional Assessment" and, together with the Initial Assessment, the "Assessment"). The Additional Assessment was approved by 65.1% of voters within the County voting on the matter on November 5, 1996. The Resolution supplements the 1992 Order to provide for additional capital outlay projects, including, but not limited to, the acquisition and improvement of real property to benefit the District comparable to those adopted in the 1992 Order. However, the Resolution amended the 1992 Order and the Initial Assessment "to the extent and with the effect that the portion of any vacant parcel of land, and the vacant portion of any partially improved parcel of land, in excess of two and one-half acres (2.5) shall not be assessed." To clarify any inconsistencies between the 1992 Order and the Resolution, the Resolution provides that the method of assessment with respect to both the Initial Assessment and the Additional Assessment be identical in all respects; any such discrepancies, differences or variations in the method of assessment shall be resolved in favor of the Final Engineer's Report as hereinafter defined with respect to the Additional Assessment. Finally, the Resolution "capped" the Assessment at \$14.46 per benefit point per year. See "Rate and Method of Assessment." The 1992 Order, as amended by the Resolution (the "Order") provides that a minimum of 80% (but not more than 85%) of all proceeds of annual Assessments collected by the District shall be used for capital outlay projects, including, but not limited to, the acquisition and

improvement of real property and the servicing of bonds, notes or other evidences of indebtedness issued by the District.

Pursuant to the Order, the Initial Assessment and the Additional Assessment are levied for a period of twenty-two (22) years beginning with the fiscal year in which such assessment, respectively, was first levied and collected by the District, subject to a maximum annual assessment per benefit point. See “Rate and Method of Assessment” and “Excerpts of Engineer’s Report” below. The Initial Assessment was first levied in Fiscal Year 1993-94 and the Additional Assessment was first levied and collected in Fiscal Year 1997-98. With respect to Fiscal Year 2003-04, approximately \$78.810 million of Initial and Additional Assessments were collected. See “Rate and Method of Assessment,” “Historical Debt Service Coverage” and “Projected Debt Service Coverage” below.

Proceeds of the annual Assessments will be used as follows: (i) a minimum of 80% shall be used either to directly pay the costs of Projects authorized pursuant to the Order or to pay debt service on bonds, notes or other evidence of indebtedness issued therefor, (ii) not less than 15% (nor more than 20% as determined by the County Board of Supervisors) of all proceeds of Assessments levied and collected by the District shall be set aside to pay costs of maintaining and servicing Projects funded either with assessments or with proceeds of bonds, notes or other evidences of indebtedness issued by the District and for other purposes set forth in the Order, and (iii) no more than 5% shall be available for the payment of actual administrative costs associated with carrying out the purposes of the Order by the District. These annual Assessments (exclusive of the amounts retained by the County for its expenses in administering the District and the amounts set aside in accordance with the Order in the servicing and maintenance fund established pursuant to the Order, which amounts are retained by the County and the District, respectively) are to be paid into the Debt Service Fund held under the District Indenture to the extent necessary to make scheduled debt service payments on the Outstanding District Bonds.

**Budget.** The District’s budget and accounting systems have been structured in accordance with the revenue flow and accounting requirements provided in the Order. Assessment revenues and interest earnings will initially be deposited into the District’s Assessment Revenue Fund and distributed in the following manner:

- A minimum of 80% of the Assessments will be used for the payment of debt service or direct, capitalized costs incurred on approved Projects;
- Not less than 15% (nor more than 20% as determined by the County Board of Supervisors) of all proceeds of Assessments levied and collected by the District will be used for the maintenance and servicing of completed Projects; and
- Up to 5% of the Assessments will be used to pay for the District’s ongoing administrative expenses.

Separate accounts have been established within the Project Fund established under the District Indenture to account for each project and bond issue to assist in the monitoring of the District and the Authority’s program expenditures and the calculation of rebate liabilities. Financial statements on the District’s operations and transactions are prepared annually and audited by an independent auditor. The District’s Final Fiscal Year 2003-04 Budget and the District’s Fiscal Year 2004-05 Budget are summarized below:

**LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT  
Comparison of Fiscal Year 2003-04 Final Budget vs. Adopted 2004-05 Budget**

	<b><u>Final 2003-04 Budget (1)</u></b>	<b><u>Adopted 2004-05 Budget (2)</u></b>	<b><u>Change From 2003-04</u></b>
<b>REQUIREMENTS</b>			
Project Funding			
Assessment Grant	\$156,222,000	\$169,586,000	\$ 13,364,000
Bond Funded Projects	<u>38,912,000</u>	<u>758,000</u>	<u>(38,154,000)</u>
Subtotal	\$195,134,000	\$170,344,000	(24,790,000)
Administration	\$ 4,659,000	\$4,826,000	167,000
Project Maintenance	67,477,000	65,316,000	(2,161,000)
Other Financing Uses/Designations	115,700,000	154,793,000	39,093,000
Bond Requirements:			
Debt Service (3)	68,106,000	68,554,000	448,000
Arbitrage Rebate – Reserve for IRS	<u>522,000</u>	<u>0</u>	<u>(522,000)</u>
<b>TOTAL REQUIREMENTS</b>	<b><u>\$451,598,000</u></b>	<b><u>\$463,833,000</u></b>	<b><u>\$12,235,000</u></b>
<b>AVAILABLE FUNDS</b>			
Benefit Assessment	\$ 78,008,000	\$ 78,324,000	\$ 316,000
Fund Balance	147,549,000	154,748,000	7,199,000
Cancellation of Reserve/Designations	644,000	34,231,000	33,587,000
Bond Proceeds	125,980,000	78,544,000	(47,436,000)
Operating Transfers	90,227,000	85,400,000	(4,827,000)
Residual Equity Transfers	0	26,965,000	26,965,000
Use of Money and Property	<u>9,190,000</u>	<u>5,621,000</u>	<u>(3,569,000)</u>
<b>TOTAL AVAILABLE FUNDS</b>	<b><u>\$451,598,000</u></b>	<b><u>\$463,833,000</u></b>	<b><u>\$12,235,000</u></b>

(1) Reflects the Fiscal Year 2003-04 District Budget adopted by the Board of Supervisors on June 23, 2003 and subsequently adjusted on September 16, 2003.

(2) Reflects the Fiscal Year 2004-05 District Budget adopted by the Board of Supervisors on June 21, 2004 and subsequently adjusted on September 28, 2004.

(3) Includes three debt service payments.

Source: Los Angeles County Regional Park and Open Space District and CAO Budget Status Report.

## General Fund Revenues and Expenditures

The District's Audited General Fund Revenues and Expenditures for the Fiscal Years ended June 30, 2001, 2002, 2003, and 2004 are summarized below:

### LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT COMBINED STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES Fiscal Years Ended June 30, 2001, 2002, 2003, and 2004 (Dollars in thousands)

REVENUES	June 30, 2001	June 30, 2002	June 30, 2003	June 30, 2004
Investment Income	\$22,977	\$10,929	\$10,219	\$3,578
Charges for Services	73,968	77,588	78,433	78,875
Net change in fair value of investments	—	—	—	(695)
Miscellaneous	50	0	1,240	214
<b>TOTAL REVENUES</b>	<b>\$96,995</b>	<b>\$88,517</b>	<b>\$89,892</b>	<b>\$81,972</b>
<b>EXPENDITURES</b>				
Services and Supplies	\$3,438	\$4,630	\$4,369	\$4,760
Park Improvements	84,213	69,301	41,921	39,505
Maintenance and servicing costs	—	—	13,439	12,316
<b>TOTAL EXPENDITURES</b>	<b>\$87,651</b>	<b>\$73,931</b>	<b>\$59,729</b>	<b>\$56,581</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUE OVER EXPENDITURES</b>	<b>\$9,344</b>	<b>\$14,586</b>	<b>\$30,163</b>	<b>\$25,391</b>
<b>OTHER FINANCING SOURCES</b>				
Long-term debt proceeds	\$0	\$0	\$0	\$0
Operating transfers to other funds <sup>(1)</sup>	\$(47,809)	\$(38,733)	\$(38,632)	\$(38,888)
Operating transfers from other funds	\$550	\$579	\$0	\$0
Reimbursement of grant funds	0	\$0	\$0	\$0
<b>Total Other Financing Sources</b>	<b>\$(47,259)</b>	<b>\$(38,154)</b>	<b>\$(38,632)</b>	<b>\$(38,888)</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES AND OTHER SOURCES</b>				
<b>OVER EXPENDITURES</b>	<b>\$(37,915)</b>	<b>\$(23,568)</b>	<b>\$(8,469)</b>	<b>(13,497)</b>
PRIOR YEAR FUND BALANCE	\$322,024	\$284,109	\$260,541	\$252,072
<b>FUND BALANCES (June 30)</b>	<b>\$284,109</b>	<b>\$260,541</b>	<b>\$252,072</b>	<b>\$238,575</b>

<sup>1</sup> Amount includes other Financing Sources (Uses).

Sources: Los Angeles County Regional Park and Open Space District Independent Auditor's Report and Financial Statements for the Fiscal Years Ended June 30, 2001, 2002, 2003 and 2004.

**Rate and Method of Assessment.** The rate and method of apportionment for use in levying the Assessment for various categories of property is as set forth in the Final Engineer's Report for County of Los Angeles Landscaping and Lighting District No. 92-1, Additional Assessment Changes and Modifications, which was adopted by the Board on June 18, 1996 (as amended, the "Final Engineer's Report"). Pursuant to the Final Engineer's Report, the level of each Assessment is based on the size and use of each parcel and the resulting benefit each parcel will receive from the proposed Projects. The estimation of such benefit is quantified in benefit points. The annual rate of each Assessment may not exceed \$9.39 per benefit point (pursuant to the 1992 Order and Initial Assessment) and \$5.07 per benefit point (pursuant to the Order and Additional Assessment). The Assessment for any parcel will consequently equal the annual rate determined by the Board of Supervisors multiplied by the number of benefit points applicable to each parcel. The 2003-04 Assessment for a single family residence on a median sized parcel is \$19.28 (based on 1.333 benefit points). Excerpts of the Final Engineer's Report are set forth below under the caption "Excerpts of Engineer's Report."

The overall level of the District's Assessment will increase as parcels are subdivided and vacant property is developed. Properties owned by public agencies, such as cities, the County, the State or the federal government, will not be assessed except when such property is not devoted to a public use. Rights-of-way owned by utilities, railroad operating rights-of-way, uninhabited agricultural lands, cemeteries and certain other properties are also exempt from the Assessments. Individuals who qualify for the California Property Tax Postponement Program (Section 20581 *et seq.* of the California Revenue and Taxation Code), which generally provides for the postponement of certain payments by individuals 62 years of age or older of property taxes attributable to residential dwellings, may also qualify for postponement of payment of Assessments levied by the District.

In the event of any allegation of errors of Assessment, including circumstances that do not precisely fit the intent of the Order, such alleged errors are reported to a committee appointed by the County Board of Supervisors. The function and authority of this committee is to recommend corrections or adjustments that are consistent with the concept, intent and parameters of the Order and the District's program of levying and collecting the Assessment. Unless the committee's proposed corrections and adjustments are appealed to the County Board of Supervisors, they are incorporated into the Assessment roll.

The Assessments actually levied for the current year, by the type of land use, are comprised as follows:

**ASSESSMENT LEVY BY TYPE OF LAND USE  
For the 2004-05 Annual Assessment**

<b>Land use</b>	<b>Total Assessment Levy</b>	<b>Benefit Points</b>	<b>Percentage of Total Assessment Levies</b>
Residential	\$55,919,708	3,867,199.700	71.48%
Commercial	20,105,539	1,390,424.518	25.70
Institutional	1,362,884	94,251.990	1.74
Recreational	851,474	58,884.761	1.09
Miscellaneous*	(6,813)	(471.162)	(0.01)
	\$78,232,791	5,410,289.806	100.00%

Source: Los Angeles County Regional Park and Open Space District

\*Includes enrollment losses

No single taxpayer is responsible for more than 0.2% of the annual Assessment. In the aggregate, the top 15 taxpayers in the County account for less than 1% of the 2004-05 Annual Assessment.

**Annual Assessment.** The Assessment is collected in semi-annual installments on the County’s tax roll on which general taxes on real property are collected. Each Assessment is payable and becomes delinquent at the same time and bears the same rate of penalty and interest after delinquency as do general property taxes in the County, and the property upon which each Assessment is levied is subject to the same provisions for sale and redemption as are properties for nonpayment of such taxes. Taxpayers are obligated to pay the total of general and specific tax levies appearing on County tax bills; partial payments of the total tax levy are applied *pro rata* among all individual taxes appearing on the tax bill. The District has covenanted in the District Master Indenture that, unless otherwise required by applicable law, it shall not take, or cause to be taken, any action that would result in the reduction in the amount of the levy of Pledged Assessments with respect to any Fiscal Year below an aggregate amount equal to 1.15 times the Maximum Annual Debt Service on all Outstanding District Bonds and any District Bonds that the District reasonably expects to issue during the then present Fiscal Year.

Pursuant to the District Master Indenture, the District shall not directly or indirectly extend or defer the payment of any Pledged Assessments if, following such extension or deferral, the value of the Pledged Assessments not subject to such extension or deferral would be less than 1.15 times the Maximum Annual Debt Service on all Outstanding District Bonds theretofore issued. This restriction does not, however, limit the District’s ability to defer Assessments pursuant to Section 170 and 1994-5 of the California Revenue and Taxation Code and Chapter 4.64 of the Los Angeles County Code. See Appendix B - “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS - The District Master Indenture - Covenants of the District.”

The District has no obligation to institute judicial foreclosure proceedings in the event of a delinquency by any particular property owner in the payments of Assessments, but has covenanted to take such actions with respect to such delinquencies as are consistent with the policy of the County regarding delinquent property taxes generally. Assessments are levied and

collected with the County’s general tax levy. Accordingly, the District anticipates collection and delinquency rates equivalent with the County’s general tax levy. The County anticipates, based on current practice, that it will, on behalf of the District, foreclose any unpaid Assessment with delinquent general, *ad valorem* taxes after the fifth year of delinquency. During the past five years, delinquency rates have ranged from a high of 3.88% in Fiscal Year 1999-00 to a low of 2.94% in Fiscal Year 2003-04. Revenue projections contained in this Official Statement have assumed the Fiscal Year 2002-03 delinquency rate of 3.27%, and a ten percent redemption penalty fee as well as an average annual delinquency interest rate of 9% and the County’s existing assumptions regarding delinquency recovery rates of 91% over 5 years based on a “sliding scale” of 45% recovery for year one, 22% for year two, 11% for year three, 9% for year four, and 4% for year five. The actual County delinquency interest rate is 1.5% per month (or 18% annualized). A 9% delinquency interest rate assumption is premised on straight line collections through the fiscal year. Thus, delinquency interest rates are 9% for collections of past due assessments during the first year, 18% for the second year, 27% for the third year, 36% for the fourth year and 45% for the fifth year.

The following table provides a summary statement of the District’s Assessment levies and collections for Fiscal Years 1999-00 through 2003-04 with respect to the collection of Assessments which were applied to debt service on the Outstanding District Bonds.

**LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT  
SUMMARY OF ASSESSMENT LEVIES AND COLLECTIONS  
FISCAL YEARS 1999-00 through 2003-04  
(Unaudited)**

<u>Year</u>	<u>Total Current Assessment Levy</u>	<u>Total Current Assessment Collections</u>	<u>Current Delinquent Assessments</u>	<u>Ratio of Delinquency To Current Assessments Levy</u>
1999-00	\$76,935,367	\$73,949,690	\$2,985,677	3.88%
2000-01	\$77,130,633	\$74,269,548	\$2,861,085	3.71%
2001-02	\$77,240,823	\$74,544,114	\$2,696,709	3.49%
2002-03	\$77,571,254	\$75,032,289	\$2,538,965	3.27%
2003-04	\$78,281,288	\$75,976,919	\$2,304,369	2.94%

Source: Los Angeles County Auditor-Controller's Tax Apportionment Ledger for the Secured Roll.

Assessments constitute fixed liens on the parcels assessed within the District and do not constitute personal indebtedness of the respective owners of such lots and parcels. Accordingly, in the event of delinquency, proceedings may be conducted only against the real property securing the delinquent Assessment. The District has no obligation to institute judicial foreclosure proceedings in the event of a delinquency by any particular property owner in the payments of Assessments, but has covenanted to take such actions with respect to such delinquencies as are consistent with the policy of the County regarding delinquent property taxes generally. Under the District Master Indenture, the District has covenanted that, unless otherwise required by applicable law, the District shall not take, or cause to be taken, any action that will result in the reduction of the amount of the levy of Pledged Assessments with respect to any Fiscal Year below an aggregate amount equal to 1.15 times the Maximum Annual Debt Service on all Outstanding District Bonds and any District Bonds that the District reasonably expects to be issued during the then-present Fiscal Year. See Appendix B - “SUMMARY OF LEGAL DOCUMENTS - The District Master Indenture.”

**Historical Debt Service Coverage.** The following tables provide a summary statement of the District’s collection of Assessments and historic debt service coverage with respect to the Assessments collected which were applied to debt service on the Outstanding District Bonds.

**SUMMARY ASSESSMENT COLLECTIONS  
Fiscal Year 1999-00 to Fiscal Year 2003-04**

<b>Fiscal Year</b>	<b>Base Assessments</b>	<b>Less: Appeals</b>	<b>Less: Delinquencies</b>	<b>Collection of Prior Delinquencies</b>	<b>Penalties and Interest</b>	<b>Assessment Adjustments</b>	<b>Total Collected Assessments<sup>(1)</sup></b>
1999-00	\$77,126,000	-\$191,000	-\$2,986,000	\$2,860,000	\$869,000	-\$802,000	\$76,876,000
2000-01	\$77,389,000	-\$258,000	-\$2,861,000	\$2,724,000	\$935,000	-\$578,000	\$77,351,000
2001-02	\$77,597,000	-\$356,000	-\$2,697,000	\$2,792,000	\$826,000	-\$731,000	\$77,431,000
2002-03	\$77,816,000	-\$245,000	-\$2,539,000	\$2,785,000	\$925,000	-\$398,000	\$78,344,000
2003-04	\$77,900,000	-\$381,000	-\$2,304,000	\$2,962,000	\$1,269,000	-\$636,000	\$78,810,000

(1) Includes penalties and interest. May not add due to rounding.  
Source: Los Angeles County Regional Park and Open Space District.

**HISTORICAL DEBT SERVICE COVERAGE**

<b>Year</b>	<b>Assessment Revenues</b>	<b>Maintenance &amp; Servicing (15%)</b>	<b>Administration (5%)</b>	<b>“Pledged Assessments” (Debt Service/ Capital Outlay)</b>	<b>District Bonds Annual Debt Service</b>	<b>Annual Coverage Ratio</b>
1999-00	\$76,876,000	\$11,531,000	\$3,844,000	\$61,501,000	\$48,678,000	1.26
2000-01	\$77,351,000	\$11,603,000	\$3,868,000	\$61,880,000	\$48,678,000	1.27
2001-02	\$77,431,000	\$11,615,000	\$3,872,000	\$61,944,000	\$39,227,000	1.58
2002-03	\$78,344,000	\$11,752,000	\$3,917,000	\$62,675,000	\$39,227,000	1.60
2003-04	\$78,810,000	\$11,822,000	\$3,941,000	\$63,047,000	\$39,229,000	1.61

Source: Los Angeles County Regional Park and Open Space District.

**Projected Debt Service Coverage.** Estimated Assessments available to pay debt service on the Series 2005A District Bonds, and accordingly, the Series 2005A Authority Bonds, are based upon certain assumptions with regard to the land use, level of development and improvements and percentage of Assessments collected, the amount available for investment and the interest rate at which funds are invested. See “Assessment Projection” below. In order to estimate the total revenues available to pay debt service on the Series 2005A District Bonds, the District has made certain assumptions with regard to the land use, level of development and improvement valuations and percentage of Assessments collected, the amount available for investment and the interest rate at which funds are invested. The District’s revenue projection set forth in the table below is based on an Initial Assessment of approximately \$50.9 million in accordance with the 1992 Order and an Additional Assessment of approximately \$27.5 million

starting in Fiscal Year 2004-05 in accordance with the Resolution with projections through Fiscal Year 2018-19, and incorporates the following assumptions: (1) future benefit point growth of .283% per year for residential properties and 1.233% per year for commercial/industrial properties with growth based on annual historic compounding, of the respective categories of properties, for the period between Fiscal Year 1996-97 through Fiscal Year 2003-04; (2) an annual investment earnings rate of 1.25% per annum; and (3) a 3.27% per annum delinquency rate with a recovery rate of 91% over a five year period. The District believes these assumptions to be reasonable, but to the extent the Assessment collected or the amount of funds available for investment or the interest rate at which funds are invested are less than the District's assumptions, the total Assessment available to pay debt service on the Series 2005A District Bonds and any other outstanding District Bonds may be less than projected.

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**SUMMARY REVENUE PROJECTION**  
**Fiscal Year 2004-05 to Fiscal Year 2018-19**

<b>Fiscal Year</b>	<b>Base Assessments</b>	<b>Less: Appeals</b>	<b>Parcel Enrollment Losses</b>	<b>Gross Assessments</b>	<b>Less: Delinquencies</b>	<b>Collection of Prior Delinquencies</b>	<b>Penalties and Interest</b>	<b>Total Available Assessments</b>
2004-05	\$78,437,179	(\$246,824)	(\$10,810)	\$78,179,545	(\$2,558,875)	\$2,381,544	\$668,687	\$78,670,901
2005-06	78,582,678	(247,282)	(10,830)	78,324,567	(2,563,622)	2,349,865	654,054	78,764,864
2006-07	78,728,576	(247,741)	(10,850)	78,469,986	(2,568,381)	2,333,928	645,218	78,880,751
2007-08	78,874,874	(248,201)	(10,870)	78,615,803	(2,573,154)	2,332,677	643,261	79,018,587
2008-09	79,021,571	(248,663)	(10,890)	78,762,018	(2,577,940)	2,337,426	644,685	79,166,190
2009-10	79,168,670	(249,126)	(10,911)	78,908,634	(2,582,739)	2,341,770	645,882	79,313,547
2010-11	79,316,170	(249,590)	(10,931)	79,055,650	(2,587,551)	2,346,125	647,083	79,461,308
2011-12	79,464,073	(250,055)	(10,951)	79,203,067	(2,592,376)	2,350,493	648,287	79,609,471
2012-13	79,612,379	(250,522)	(10,972)	79,350,886	(2,597,214)	2,354,872	649,495	79,758,039
2013-14	79,761,089	(250,990)	(10,992)	79,499,107	(2,602,065)	2,359,263	650,705	79,907,011
2014-15	79,910,203	(251,459)	(11,013)	79,647,732	(2,606,930)	2,363,667	651,919	80,056,388
2015-16	28,070,733	(88,332)	(3,869)	27,978,532	(915,758)	2,368,082	653,137	30,083,993
2016-17	28,123,300	(88,498)	(3,876)	28,030,927	(917,473)	1,609,287	509,345	29,232,086
2017-18	28,176,011	(88,663)	(3,883)	28,083,464	(919,193)	1,239,166	405,821	28,809,259
2018-19	28,228,864	(88,830)	(3,890)	28,136,144	(920,917)	1,054,921	337,551	28,607,698

Source: Public Resources Advisory Group, financial consultant to the District.

The following table illustrates the use of Assessments in accordance with the Order and the annual coverage ratio of available Assessments to estimated debt service payments on the Series 2005A District Bonds and other Outstanding District Bonds.

**PROJECTED DEBT SERVICE COVERAGE**

<b>Year</b>	<b>Assessments Revenues</b>	<b>Maintenance &amp; Servicing (15%)</b>	<b>Administration (5%)</b>	<b>"Pledged Assessments"</b>	<b>Nonrefunded Series 1997A District Bonds Annual Debt Service</b>	<b>Series 2005A District Bonds Annual Debt Service</b>	<b>Total District Bonds Annual Debt Service</b>	<b>Annual Coverage Ratio</b>
2005	\$78,670,901	\$11,800,635	\$3,933,545	\$62,936,721	\$29,316,781	\$9,067,802	\$38,384,583	1.64
2006	78,764,864	11,814,730	3,938,243	63,011,891	29,316,844	8,755,950	38,072,794	1.66
2007	78,880,751	11,832,113	3,944,038	63,104,600	29,317,563	8,755,950	38,073,513	1.66
2008	79,018,587	11,852,788	3,950,929	63,214,870	13,951,200	23,945,950	37,897,150	1.67
2009	79,166,190	11,874,928	3,958,309	63,332,952	13,954,800	23,941,450	37,896,250	1.67
2010	79,313,547	11,897,032	3,965,677	63,450,838	13,952,550	23,943,700	37,896,250	1.67
2011	79,461,308	11,919,196	3,973,065	63,569,046	13,953,350	23,940,388	37,893,738	1.68
2012	79,609,471	11,941,421	3,980,474	63,687,577	13,950,550	23,946,138	37,896,688	1.68
2013	79,758,039	11,963,706	3,987,902	63,806,431	13,952,775	23,944,638	37,897,413	1.68
2014	79,907,011	11,986,052	3,995,351	63,925,609	13,953,500	23,942,638	37,896,138	1.69
2015	80,056,388	12,008,458	4,002,819	64,045,111	13,954,500	23,942,888	37,897,388	1.69
2016	30,083,993	4,512,599	1,504,200	24,067,194	6,071,250	9,657,888	15,729,138	1.53
2017	29,232,086	4,384,813	1,461,604	23,385,669	6,071,500	9,659,713	15,731,213	1.49
2018	28,809,259	4,321,389	1,440,463	23,047,407	6,069,250	9,659,750	15,729,000	1.47
2019	28,607,698	4,291,155	1,430,385	22,886,159	6,069,000	9,661,950	15,730,950	1.45

Source: Public Resources Advisory Group, financial consultant to the District.

**Excerpts of Engineer's Report.** The following are summary excerpts from the Final Engineer's Report, as amended June 18, 1996, Section V, "Rate and Method of Assessment." Such excerpts are not to be considered a full description of the text of the Final Engineer's Report.

General. The Landscaping and Lighting Act of 1972 provides that assessments may be apportioned by any formula or method which fairly distributes the assessment among all assessable lots or parcels in proportion to the estimated benefits to be received by each lot or parcel from the improvements.

Benefit to Property from Park and Recreation Facilities. Studies in a number of communities, including counties and cities throughout the United States, have indicated that recreation areas and facilities, if well maintained and wisely administered, have caused a marked increase in property values of parcels in the community. Consequently, such recreation and park facilities have proved a potent factor in maintaining a sound economic condition and a high standard of livability in the community. These studies confirm the opinion long held by planning authorities as to the economic value of open space in a community.

Property values in a community are increased when public infrastructure such as parks, open space and recreation facilities are in place, improved, operable, safe, clean and maintained. Facilities that are unsafe or destroyed by the elements or vandalism decrease surrounding property values. Park and recreation facilities are less likely to attract crime if they are well lit, clean and maintained. Clean and safe parks increase public safety, help to reduce crime and enhance the overall quality of life and desirability of an area. Property values in an area also increase when there is an increase in the number of parks, recreation centers, trail systems, sports facilities and open space areas. Conversely, property values decrease when park and recreation facilities are in disrepair, old, unsafe, unclean and unusable.

The improvements to be funded by the District are acquisition, development, improvement and restoration projects for park, recreation, community centers, museum, beach and open space purposes. These improvement projects include: regional facilities which benefit the entire District; regional facilities which benefit large areas of the District; and neighborhood facilities which benefit smaller, local areas of the District. The improvements are distributed between these different categories of regional use to ensure that all areas of the District will benefit. Funds for improvements are also distributed throughout all geographic areas of the District, and between all of the cities and the unincorporated area of the County.

Specific criteria were established to identify regional park and recreation projects throughout the County which would benefit all areas of the District. Each specific project was required to be environmentally sound, regionally significant and strongly supported; each project also had to show documentation of regional significance and regional use. The regional significance of each project was required to be documented through:

- evidence that the project is a significant natural resource;
- letters or studies documenting the regional use of the proposed project by surrounding communities;
- evidence that the project is or will be made available or advertised on a regional basis; and
- evidence that the project is the only one of its kind in the surrounding region.

All eighty-eight incorporated cities located in the District were contacted by the Department and over seventy cities in the District, county departments, civic leaders and citizen organizations participated in the process to identify specific regional park, recreation and open space projects. All of the specific improvements (Projects, as defined herein) meet the established criteria and hundreds of letters were received documenting the regional significance of the specific improvement projects located within cities.

Regional projects, by their definition, are of area-wide benefit; therefore, the regional facilities in the County cumulatively benefit all properties within the District. As described above, the local projects are distributed throughout the proposed District and are of regional significance. The acquisition, improvement, and restoration of both local and regional parks, beaches and open space lands and recreation facilities are distributed throughout the proposed District and therefore are of direct and specific benefit to all parcels within the District. All areas benefit equally from the proposed improvements with benefit to parcels varying with their land use.

*Benefit Points.* To establish the benefit to the individual parcels with their varying land uses a benefit point system is used. Each parcel is assigned benefit points in proportion to the benefit the property receives. The number of points are then divided into the annual revenue requirement necessary to fund the proposed parks, recreation areas and open space improvements to determine the dollar value of benefit for each point. Since the number of benefit points for each parcel has been established, the benefit obligation for each parcel is established and thus the amount of assessment for each parcel is established.

*Land Value Benefit.* In order to fairly allocate benefit from the proposed improvements to parcels throughout the District, it is necessary to address the benefits to land and to land use. The benefit received by land varies as land varies in size. It was found that larger parcels benefit more than smaller parcels. The benefit point system is based on establishing separately the benefit for each of two elements, land value and land use. To facilitate this procedure, the median single-family home is used as a standard to which all other properties are related. The median single-family home in the County is located on a lot of approximately 1/7 of an acre in areas with the relative valuation between the home and the lot being 75% and 25% respectively. This relative valuation is based upon the opinion of professional appraisers, appraising current market property values for real estate in Southern California. The land value portion typically ranges from 20 to 30 percent; the Final Engineer's Report used approximately 25 percent. This evaluation is based upon current market values, not on assessed values which are skewed by the impact of Proposition 13.

The lot, therefore, has 1/3 the value of the improvement ( $.25 \div .75$ ). Assigning one benefit point to a house as the standard and using the 1/3 ratio, the lot would then represent 1/3 benefit point, see the discussion on "Land Use (Improvement) Benefits" below where one benefit point is assigned to a single-family house. As stated above, the median single-family home is located on a lot of approximately 1/7 of an acre; therefore, the median density for single-family residential property in the County is 7 units per acre, thus the benefit point for the typical acre occupied by single-family homes would be  $7 \times 1/3$ , or 2.33 benefit points per acre. This 2.33 benefit points per acre is used as the basis for assessing the land value benefit to all assessable parcels within the District.

*Land Use (Improvement) Benefit.* That portion of the benefit that is associated with land use or improvement value will, of course, vary with the type of land use. This benefit for land use is condensed and segregated into three categories below, and each category is assigned

portions of a benefit point (BP) relative to the percentage of improvement value it provides (see discussion under “Benefit to Property from Park and Recreation Facilities” above).

- 1) Economic Value: The increase to improved property value due to increased economic activity and health, expanded employment opportunities and increased capacity to draw business, home buyers, renters, tourists, etc., to the District ----- .50BP
- 2) Environmental Quality: The increase to improved property value due to the improved quality of air, water, visual aesthetics, attractiveness of the District as a place to live and work, etc. ----- .25BP
- 3) Recreation Enhancement: The increase to improved property value due to the availability of useable and safe parks, beaches, and recreation facilities. ----- .25BP

Land use is designated and classified in accordance with the Los Angeles County Assessor’s codes as of the date of the Final Engineer’s Report. Benefits to land uses vary; therefore, the above factors are assigned to each land use classification.

Single-Family Residence. A single-family residence receives all three of the above benefits, therefore 1.0 BP is assigned to each single-family residence. The land upon which the home is located receives a separate benefit which is 2.33 times the acreage of the lot upon which the home is situated. The benefit to a typical single-family residence is the summation of these two, i.e., one plus 2.33 times the area of the parcel in acres.

To assess land use benefit equitably, it is necessary to relate the different parcel classifications to each other. Using one benefit point for a single-family residential unit, all other uses are related to this land use.

Multiple-Residential and Mobile Home. Multiple-residential and mobile home land use equivalencies are reduced by multiplying the number of home units on each parcel by .75 and .50, respectively, due to the relative population density of these types of dwelling units compared to the typical density of single-family units. Studies have consistently shown that an apartment unit impacts infrastructure approximately 75% as much as a single family residence, and mobile homes impact infrastructure approximately 50% (Sources: Institute of Transportation Engineers Informational Report Trip Generation, Fifth Edition, 1991. Metcalf and Eddy, Wastewater Engineering Treatment Disposal Reuse, Third Edition, 1991). The reduced impact on park and recreational facility use by residents of multiple-residential and mobile homes results in a lesser enhancement per unit to property values. Therefore, the Economic Value, Environmental Quality, and Recreation Enhancement benefit points for multiple-residential and mobile homes have been uniformly reduced to 75% and 50%, respectively.

The benefit points assigned to a multiple-residential or a mobile home parcel for the Land Use (Improvement Value) portion of the assessment are calculated based on the number of house units and the appropriate benefit point per house unit. The benefit points for multi-residential (.75) are multiplied by the number of dwelling units on the parcel to determine the total Land Use (Improvement Value) benefit points for the parcel. The total Land Use (Improvement Value) benefit points for a mobile home parcel is calculated by multiplying the benefit point per home unit (.50) by the number of units on the parcel. The benefit points for the land value portion of the assessment are calculated by multiplying the land area in acres by 2.33 benefit points per acre. These two amounts are then added together to obtain the total number of benefit points for the parcel.

Commercial/industrial - Other. For determining the land use benefit points to be assigned for properties in commercial/industrial use, these properties are first related to the basic single-family unit. The median home in the District has a lot size of approximately 1/7 of an acre, therefore the typical single-family residential density is seven dwelling units per acre. All properties that are developed for commercial/industrial are thus assigned seven benefit points per acre for the land use portion of the parcel. Each land use category of commercial/industrial property is then evaluated as to whether or not the three components of the land use benefit point (i.e., Economic Value, Environmental Quality and Recreation Enhancement) applies to the particular land use category.

Commercial/industrial properties that have been found to receive the same benefits as residential properties from increased economic activity and health, expanded employment opportunities and increased capacity to attract business as residential properties receive .50 BP for Economic Value, as do residential properties. Certain commercial/industrial properties, such as warehouses, storage facilities and mineral processing, mining and petroleum facilities, receive no economic benefit because these properties receive negligible benefit, if any, from park and recreation improvements. All commercial/industrial properties benefit from increased environmental quality as a result of the improvements; therefore, all commercial/industrial properties are assigned a factor of .25 BP for Environmental Quality. Those properties which are used by or which serve people are benefited by improved and increased park and recreational facilities; these properties are assigned a factor of .25 BP for Recreational Enhancement.

Additionally, a higher level of use for commercial/industrial property is identified when a structural improvement has multiple stories or occupies a greater percentage of the parcel than that which is the norm. To account for this, the benefit points for the property use is multiplied by a number which is proportional to the intensity of the structural improvements contained on the property.

The typical coverage of commercial/industrial parcel with a structure is 33%. Using this as the standard, the square footage of a structural improvement on a parcel, as this value is set forth in the Los Angeles County Assessor's records or as determined through appeal, is divided by one-third of the area of the parcel in square feet. The number then becomes proportional to the intensity of development on the parcel and represents an equivalent number of stories that may be found on a parcel. For the purpose of identifying this factor, it is set forth as "equivalent stories" in the benefit point equation. A minimum of one "equivalent story" will be applied to any improved (non-vacant) commercial/industrial property.

A paved lot which is used exclusively for parking and which does not have a structural improvement on the parcel will be assigned one equivalent story.

When a commercial/industrial building and a parking lot structure are located on one parcel, the improved square footage of the parking structure will be added to the improved square footage of the commercial/industrial building, resulting in the total improved square footage used to calculate equivalent stories.

Vacant Property. Vacant property has no Land Use Benefits associated with it. Even if a vacant parcel is designated as commercial/industrial or residential, it receives no additional benefits because of its designation as there are no improvements constructed upon it; therefore, vacant property receives only Land Value Benefit of 2.33 benefit points per acre.

The Land Value benefit received by property varies as the property varies in size. However, there is a decreasing marginal utility to the benefit vacant land receives from parks, recreation facilities and open space that results in a benefit limit to larger vacant parcels. As vacant parcels increase in size, the vacant portion of a larger parcel functionally serves as open space. Consequently, as a basis for this limitation, a vacant parcel will not be assigned more benefit points than the total benefit points assigned to an acre of median single-family residence parcels. As vacant parcels increase in size beyond 2.5 acres, the marginal benefit they receive from parks improvements is negligible. Therefore the portion of any vacant parcel in excess of 2.5 acres shall not be subject to the assessment. The maximum benefit points that will be assigned to a vacant parcel is 5.83 (2.33 BP's x 2.5 acres).

This finding modifies and amends the finding stated in the 1992 Engineer's Report that vacant parcels up to 5 acres benefited. To the extent that present conclusions are inconsistent with previous findings, present findings are regarded as more accurately reflecting the benefits received.

In addition, the unused portion of any partially improved single parcel that is in excess of 2.5 acres will not be assessed. Such parcels that are partially improved will often appear on the Assessor's roll as improved. Those parcels that are found to be partially improved after review will have their assessments revised per this report.

Exempt Properties. Several land uses were determined to be exempt from the assessment because they either do not benefit from the proposed improvements or they have restricted uses that would not be in the public interest to acquire in the event of foreclosure. Examples are common areas, open spaces, green belts, sliver parcels, and public properties. Also exempt by law, are parcels designed as uninhabited and non-vacant agricultural and timber property.

Modifications. It is recognized, that when dealing with the millions of parcels that will be part of this Assessment District, using the information on the Los Angeles County Assessor's Roll as the primary source for the assessment formula may lead to some errors and some circumstances that do not precisely fit the intent of this program.

Where such circumstances are discovered, either by the persons administering this program, or by the owners of the properties affected, such circumstances shall be reported to a committee appointed by the Board of Supervisors. The function and the authority of the committee will be to recommend such corrections or adjustments with such proposed changes being consistent with the concept, intent and parameters of the District's program of levying and collecting the Assessments. Unless such proposed changes are appealed to the Board of Supervisors, they will be incorporated into the assessment roll.

The total assessment to be levied on each parcel shall be the annual assessment per parcel times the number of years over which assessment will be levied. The annual assessment for each parcel shall remain in effect until the characteristics which affect the property's benefit points are updated, at which time the assessment for that parcel will be recalculated.

**Financial Reports and Certifications.** The District is required to prepare annual financial statements, which are audited by independent certified public accountants. Certain information contained in this Official Statement was obtained from such reports. In addition, the District is required to report quarterly to the Board of Supervisors the status of allocations, commitments and payments to Projects. The District's audited financial statements for the year ended June 30, 2004, and other reports, are

available from the District upon request as set forth in the Official Statement under the caption "Additional Information."

**Overlapping Debt.** The District contains numerous municipalities, school districts, and special purpose districts which have issued general obligation bonded indebtedness, which is set forth on the statement below. Some of the indebtedness may be payable from self-supporting enterprises of revenue sources other than property taxation. Revenue bonds, tax allocation bonds and special assessment bonds are not included in this statement; lease revenue obligations payable from general fund or equivalent sources are included in this statement.

**LOS ANGELES COUNTY**

2004-05 Assessed Valuation:	\$769,390,375,758	(includes unitary valuation)
Redevelopment Incremental Valuation:	<u>79,279,980,980</u>	
Adjusted Assessed Valuation:	\$690,110,394,778	

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/05</u>
<b>Los Angeles County</b>	<b>100</b>	<b>\$23,470,000</b>
Los Angeles County Flood Control District	100.	136,175,000
Metropolitan Water District	47.712	185,652,163
Community College Districts	Various	1,261,160,518
Beverly Hills Unified School District	100.	109,369,260
Burbank Unified School District	100.	100,209,996
Glendale Unified School District	100.	157,440,000
Long Beach Unified School District	100.	256,685,000
Los Angeles Unified School District	100.	4,700,640,000
Pasadena Unified School District	100.	219,655,000
Pomona Unified School District	100.	134,790,000
Other Unified School Districts	100.	1,654,993,339
Other School and High School Districts	Various (1)	694,857,551
City of Los Angeles	100.	1,418,980,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.	159,135,000
City of Industry	100.	214,635,000
Other Cities	100.	52,550,000
Special Districts	100.	13,764,709
Community Facilities Districts	100.	723,634,528
Los Angeles County Regional Park & Open Space Assessment District	100.	356,645,000
1915 Act and Benefit Assessment Bonds - Estimate	100.	232,415,906
Los Angeles County Metropolitan Transportation Authority		
Benefit Assessment District Bonds	100.	<u>100,410,000</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$12,907,267,970</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/05</u>	
<b>Los Angeles County General Fund Obligations</b>	<b>100</b>	<b>\$1,373,118,342</b>	(2)
<b>Los Angeles County Pension Obligations</b>	<b>100.</b>	<b>1,320,852,395</b>	
Los Angeles County Office of Education Certificates of Participation	100.	23,766,444	
Community College District Certificates of Participation	Various (3)	124,349,315	
Los Angeles Unified School District Certificates of Participation	100.	749,967,800	
Long Beach Unified School District Certificates of Participation	100.	65,560,000	
Other Unified School District Certificates of Participation	100.	411,629,034	
School and High School District General Fund Obligations	Various (3)	202,868,958	
City of Beverly Hills General Fund Obligations	100.	190,820,000	
City of Los Angeles General Fund and Judgment Obligations	100.	1,261,968,000	
City of Long Beach General Fund Obligations	100.	300,285,000	
City of Long Beach Pension Obligations	100.	102,195,000	
City of Pasadena General Fund Obligations	100.	239,305,000	
City of Pasadena Pension Obligations	100.	97,850,000	
Other Cities' General Fund Obligations	100.	918,305,958	
Los Angeles County Sanitation Districts General Fund Obligations	100.	419,765,000	

Other Special Districts General Fund Obligations	100.	<u>17,905,000</u>	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$7,820,511,246
Less: <b>Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Ray)</b>		<b>55,345,000</b>	
School District self-supporting bonds		33,500,000	
Cities' self-supporting bonds		200,744,223	
Walnut Valley Water District General Fund Obligations		<u>16,900,000</u>	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$7,514,022,023
GROSS COMBINED TOTAL DEBT			\$20,727,779,216 (4)
NET COMBINED TOTAL DEBT			\$20,421,289,993

- (1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School District, Fullerton Union High School District and Community College District, and the schools and special districts included in them.
- (2) Excludes issue to be sold.
- (3) All 100%, or almost 100%, except for Antelope Valley Joint Union High School District, Fullerton Union High School District and Community College District, and the schools and special districts included in them.
- (4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2004-05 Assessed Valuation:

**Direct Debt (\$23,470,000).....0.003%**  
Total Direct and Overlapping Tax and Assessment Debt.....1.68%

Ratios to Adjusted Assessed Valuation:

**Gross Combined Direct Debt (\$2,717,440,737) .....0.39%**  
**Net Combined Direct Debt (\$2,662,095,737) .....0.39%**  
Gross Combined Total Debt.....3.00%  
Net Combined Total Debt.....2.96%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$1,609,401

YV:(\$725)

Source: California Municipal Statistics, Inc.

**APPENDIX B**  
**SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS**

The following are summaries of certain provisions contained in the Authority Master Indenture and the District Master Indenture. Such summaries are not to be considered full descriptions of the underlying documents. In addition to the below summaries, certain terms of such documents are described elsewhere in this Official Statement.

**DEFINITIONS OF CERTAIN TERMS**

The following are summaries of certain definitions contained in the Indenture and the District Indenture used in this Official Statement.

“Acquisition Fund” shall mean the fund of that name established pursuant to the Master Indenture.

“Act” shall mean the Bond Improvement Act of 1915, commencing with Section 8500 of the California Streets and Highways Code, as amended from time to time.

“Annual Debt Service” shall mean for any Fiscal Year the aggregate amount of principal and interest on all District Bonds becoming due and payable during such Fiscal Year, calculated using the principles and assumptions set forth under the definition of Maximum Annual Debt Service, as certified by a certificate of a Financial Consultant to the Fiscal Agent, who may conclusively rely on such certificate.

“Assessment District” shall mean the County of Los Angeles Landscaping and Lighting District No. 92-1, which was formed in accordance with the Law, the Order and the Landscaping and Lighting Act.

“Assessments” shall mean the benefit assessments imposed upon the real property within the Assessment District by the Order.

“Authority” shall mean the Los Angeles County Public Works Financing Authority, a joint exercise of powers entity duly organized and existing under the Constitution and the laws of the State, and its successors and assigns.

“Authority Bonds” shall mean any bonds or bonds of any Series issued from time to time in accordance with the Master Indenture and any Supplemental Indenture, in each case having an equal lien and charge upon the Pledged Revenues.

“Authorized Authority Representative” shall mean such officer or employee of the Authority, or other person, who has been designated as such, from time to time, by the Authority.

“Authorized Denomination” shall mean, with respect to the Series 2005A Authority Bonds and the Series 2005A District Bonds, \$5,000 or any integral multiple thereof, and, with respect to any other Series of Authority Bonds and any other Series of District Bonds, any denomination authorized by any supplemental indenture pursuant to which such Series of Authority Bonds or Series of District Bonds is issued.

“Authorized District Representative” shall mean such officer or employee of the District, or other person, who has been designated as such, from time to time, by the District.

Authority First Supplemental Indenture” shall mean the Authority First Supplemental Indenture of Trust, dated as of February 1, 2005, by and between the Authority and the Fiscal Agent.

“Board” shall mean the Board of Supervisors of the County of Los Angeles, and *ex officio* the governing body of all special assessment and taxing districts, agencies and authorities for which such Board acts.

“Bond Counsel” shall mean a firm of attorneys nationally recognized as experts in the area of municipal finance who are familiar with the transactions contemplated under the Master Indenture or the District Master Indenture, as appropriate.

“Bondholder” or “Owner” shall mean the person in whose name any Authority Bond or District Bond, as the case may be, is registered on the books maintained by the Paying Agent.

“Bond Interest Account” shall mean the account of that name established within the Debt Service Fund pursuant to the Indenture.

“Bond Principal Account” shall mean the account of that name established within each Debt Service Fund pursuant to the Indenture.

“Business Day” shall mean a day, other than a Saturday or Sunday, on which banks located in New York, New York and in Los Angeles, California are open; provided that such term may have a different meaning for any specified Series of Authority Bonds or District Bonds, as appropriate, if so provided by the Supplemental Indenture or the District Supplemental Indenture pursuant to which such series of bonds is issued.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations applicable thereto or issued thereunder, or any successor statute thereto.

“Costs” or “Costs of the Projects,” as applied to the Projects or portion thereof, shall mean the cost of the projects and grants set forth in the Order and shall include the costs of issuance of District Bonds and of Authority Bonds; provided, however, that in no event shall “Costs of the Project” be construed to include (i) costs of administration of the District or (ii) costs of maintenance and servicing of the District or the Projects or any portion thereof.

“Costs of Issuance” shall mean all the costs of issuance, preparation, sale, execution and delivery of the Series 2005A Authority Bonds and the Series 2005A District Bonds and other costs related to the financing provided thereby, including, but not limited to, all printing and document preparation expenses in connection with the Series 2005A Authority Bonds and the Series 2005A District Bonds, and the preliminary and final official statements pertaining to the Series 2005A Authority Bonds and all other agreements, instruments, certificates or other documents executed and delivered in connection therewith; insurance premium; fees of the Rating Agencies; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel; any computer and other expenses incurred in connection with the Series 2005A Authority Bonds; the initial fees and expenses of the Fiscal Agent and its counsel and any paying agent and its counsel (including without limitation origination fees and first annual fees payable in advance); any costs or fees expenses incurred in connection with the creation or funding of the Authority 2005A Bonds Escrow Fund, including the fees and expenses of the escrow holder and its counsel, if any; and other fees and expenses incurred in connection with the issuance of the Series 2005A Authority Bonds or the Series 2005A District Bonds, to the extent such fees and expenses are approved by an Authorized District Representative.

“Costs of Issuance Fund” shall mean the fund of that name set forth in the District Second Supplemental Indenture.

“County” shall mean the County of Los Angeles, a political subdivision of the State, and its successors and assigns.

“Debt Service Fund” shall mean the fund of that name established pursuant to the Master Indenture.

“District” shall mean the Los Angeles County Regional Park and Open Space District created pursuant to the Order and in accordance with the provisions of the Law, and its successors and assigns.

“District Bonds” shall mean the Los Angeles County Regional Park and Open Space District Limited Obligation Improvement Bonds issued pursuant to the District Indenture and any indenture supplemental thereto.

“District Debt Service Fund” shall mean the fund of that name established pursuant to the District Indenture.

“District Event of Default” shall mean any occurrence or event specified in the District Indenture.

“District First Supplemental Indenture” shall mean the District First Supplemental Indenture of Trust, dated as of November 1, 1997, by and between the District and the Fiscal Agent.

“District Second Supplemental Indenture” shall mean the Second Supplemental Indenture of Trust, dated as of February 1, 2005, by and between the District and the Fiscal Agent.

“District Indenture” shall mean the District Master Indenture, the District First Supplemental Indenture and the District Second Supplemental Indenture.

“District Master Indenture” shall mean the District Master Indenture of Trust, dated as of November 1, 1997, by and between the District and the Fiscal Agent pursuant to which the Series 2005A District Bonds are authorized and secured, as the same may be amended and supplemented from time to time in accordance with its terms.

“District Supplemental Indenture” shall mean any supplemental indenture then in full force and effect, which has been duly executed by the District, providing for the issuance of a Series of, or multiple Series of, District Bonds, amending or supplementing the District Master Indenture or amending or supplementing another District Supplemental Indenture.

“Earnings Fund” shall mean the fund of that name established pursuant to the District Indenture.

“Excess Earnings Subaccounts” shall mean each subaccount of that name established within the Earnings Account of the Earnings Fund with respect to a Series of District Bonds.

“Event of Default” shall mean any occurrence or event specified in the Master Indenture.

“Financial Consultant” shall mean the accountant, consultant, financial advisor or investment banker, or firm thereof, retained to perform acts and carry out the duties provided for such Financial Consultant in the Master Indenture or the District Master Indenture. Such accountant, consultant,

financial advisor or investment banker, or firm thereof, shall be nationally recognized within its profession for work of the character required.

“First Supplemental Indenture” shall mean the Authority First Supplemental Indenture of Trust, dated as of November 1, 1997, by and between the Authority and the Fiscal Agent.

“Fiscal Agent” shall mean the Auditor-Controller of the County, its designated agents and its successors and assigns; provided, however, that the District and the Authority are expressly authorized to permit any third party to perform any or all of the services of Fiscal Agent under the District Master Indenture and the Master Indenture, respectively, with respect to the District Bonds and the Authority Bonds, respectively.

“Fiscal Year” shall mean the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period as the Authority or the District, as appropriate, designates as its fiscal year.

“Government Obligations” shall mean (a) direct obligations issued by the United States Treasury; (b) noncallable obligations of a state, a territory or a possession of the United States of America, or any political subdivision of any of the foregoing, or of the District of Columbia, within the meaning of Section 103(c) of the Code, which are rated AAA by S&P and Aaa by Moody’s and which are not guaranteed directly or indirectly by direct or indirect obligations of the United States of America within the meaning of Section 149(b) of the Code; (c) noncallable obligations guaranteed by the Federal Housing Administration, the Veterans Administration, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association; or (d) such other federal securities as may be permitted under regulations issued pursuant to Section 149(b) of the Code which, in the opinion of Bond Counsel, will not impair the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds.

“Indenture” shall mean the Master Indenture, the First Supplemental Indenture and the Second Supplemental Indenture.

“Interest Payment Date” shall mean, with respect to the Series 2005A Authority Bonds, each April 1 and October 1, commencing on April 1, 2005, and, with respect to any other Series of Authority Bonds, each date specified in the Supplemental Indenture pursuant to which such Series of Authority Bonds is issued.

“JPA Law” shall mean Articles 1 through 3 of Chapter 5 of Division 7 of Title 1 of the California Government Code (commencing with Section 6500 thereof), as amended from time to time.

“Landscaping and Lighting Act” shall mean Part 2 of Division 15 of the California Streets and Highways Code, as amended from time to time.

“Law” shall mean Article 3 of Chapter 3 of Division 5 of the California Public Resources Code (commencing with Section 5500), as amended from time to time.

“Mail” shall mean by first-class United States mail, postage prepaid.

“Master Indenture” shall mean the Authority Master Indenture of Trust, dated as of November 1, 1997, by and between the Authority and the Fiscal Agent, as amended from time to time by any Supplemental Indenture in accordance with the terms of such Master Indenture.

“Maximum Annual Debt Service” shall mean the greatest amount of principal and interest becoming due and payable on all District Bonds in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year as certified by a certificate of a Financial Consultant delivered within 30 days of the date of calculation to the Fiscal Agent, who may rely conclusively on such certificate; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) principal and interest payments on such District Bonds shall be excluded to the extent such payments are to be paid from amounts on deposit with the Fiscal Agent or other fiduciary in escrow specifically therefor;

(b) in determining the principal amount on such District Bonds due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any mandatory sinking account payments, and for such purpose, the redemption payment shall be deemed a principal payment; and

(c) the rate of interest on variable rate Bonds shall be assumed to be a rate calculated by adding 2.00% to the average of The Bond Market Association™ Municipal Swap Index over the preceding six month period ending on the Business Day next prior to the date of calculation; provided that upon obtaining the written approval of the Rating Agencies, interest on variable rate Bonds issued in connection with an interest rate swap agreement may be computed at the effective fixed rate of interest under such interest rate swap.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized rating agency designated by the Authority or the District.

“2005A Reserve Account” shall mean the account of that name in the Reserve Fund established pursuant to the District Indenture.

“Nonarbitrage Certificate” shall mean the Tax and Nonarbitrage Certificate executed and delivered by the District and the Authority at the time of issuance and delivery of the Series 2005A Authority Bonds and the Series 2005A District Bonds.

“Order” shall mean the “Order of the Board of Supervisors of the County of Los Angeles Initiating Proceedings For Formation of the Los Angeles County Regional Park and Open Space District, Forming an Assessment District, and Calling, Providing For and Giving Notice of a Special Election to be Held in the County on November 3, 1992 and Consolidating the Special Election with the General Election to be Held on November 3, 1992” adopted on March 17, 1992 and approved by the voters on November 3, 1992, as amended by the Resolution, and as may be further amended from time to time.

“Outstanding,” with respect to Authority Bonds or District Bonds, as the case may be, shall mean all Authority Bonds or District Bonds which have been authenticated and delivered under the Indenture or the District Indenture, as appropriate, except:

(i) Authority Bonds or District Bonds, as the case may be, cancelled or purchased by the Fiscal Agent or the Paying Agent for cancellation or delivered to or acquired by the Fiscal Agent or the Paying Agent for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(ii) Authority Bonds or District Bonds, as the case may be, deemed to be paid in accordance with certain provisions of the Master Indenture or the District Master Indenture, as appropriate;

(iii) Authority Bonds or District Bonds, as the case may be, in lieu of which other Authority Bonds or District Bonds have been authenticated under certain provisions of the Indenture or the District Indenture, as appropriate, relating to mutilated, lost, stolen or destroyed Authority Bonds or District Bonds;

(iv) Authority Bonds or District Bonds, as the case may be, that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Fiscal Agent or a Paying Agent;

(v) Authority Bonds or District Bonds, as the case may be, which, under the terms of the Supplemental Indenture or District Supplemental Indenture, as appropriate, pursuant to which they were issued, are deemed to be no longer Outstanding; and

(vi) for purposes of any consent or other action to be taken by the holders of a specified percentage of Authority Bonds or District Bonds, as the case may be, under the Indenture or the District Indenture, as appropriate, Authority Bonds or District Bonds held by or for the account of the Authority or the District, as appropriate, or by any person controlling, controlled by or under common control with the Authority or the District, as appropriate, unless such Authority Bonds or District Bonds are pledged to secure a debt to an unrelated party, in which case such Authority Bonds or District Bonds shall, for purposes of consents and other Authority Bondholder or District Bondholder action, as appropriate, be deemed to be Outstanding and owned by the party to which such Authority Bonds or District Bonds are pledged. Nothing herein shall be deemed to prevent the Authority or the District, as appropriate, from purchasing Authority Bonds or District Bonds from any party out of any funds available to the Authority or the District.

“Paying Agent” shall mean, with respect to the Series 2005A Authority Bonds, U.S. Bank National Association, and its successors and assigns, and, with respect to the Series 2005A District Bonds, the Fiscal Agent, and its designated agents and its successors and assigns.

“Permitted Investments” shall mean if and to the extent permitted by law and by policy guidelines promulgated by the County:

(i) Government Obligations;

(ii) Bonds issued by the County, which are rated AA/Aa, or better, by S&P and Moody’s including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the County or by a department, board, agency or authority thereof;

(iii) Registered warrants or treasury notes or bonds of the State which are rated AA/Aa, or better, by S&P and Moody’s, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the State or by a department, board, agency or authority thereof;

(iv) Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State which are rated AA/Aa, or better, by S&P and Moody's, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency or by a department, board, agency or authority thereof;

(v) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association, or in guaranteed portions of Small Business Administration Note; or in guaranteed portions of Small Business Administration Note; or in obligations, participations or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise;

(vi) Bills of exchange or time drafts drawn on or accepted by a commercial bank, otherwise known as bankers' acceptances, which are eligible for purchase by the Federal Reserve System and which are drawn on or accepted by a commercial bank, the long-term debt obligations of which are rated A-1/AA or better by S&P and P-1/Aa or better by Moody's; purchases of bankers' acceptances may not exceed 270 days' maturity;

(vii) Commercial paper rated A-1/AA or better by S&P and P-1/Aa or better by Moody's;

(viii) Negotiable certificates of deposit issued by or deposit accounts with a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or a state-licensed branch of a foreign bank which is rated A-1/AA or better by S&P and P-1/Aa or better, by Moody's (including the Paying Agent or its affiliates);

(ix) Investments in repurchase agreements of any securities enumerated above with an institution with debt rated AA/Aa, or better, or commercial paper rated A-1 +/P-1, or better, by S&P and Moody's, if the Fiscal Agent shall have received a perfected first security interest in such securities securing such repurchase agreement and the Fiscal Agent or its appointed agent shall hold such obligations free and clear of the claims of third parties and the securities securing such repurchase agreement are required to be of such nature, valued at such intervals and maintained at such levels so as to meet the collateralization levels then required by S&P and Moody's for a rating of AA/Aa or better;

(x) Mortgage securities purchased under an agreement to resell pursuant to clause (ix) above, provided that the mortgage securities are eligible investments under subdivision (a) or (b) of Section 13000 of the California Financial Code which are rated AA/Aa or better by S&P and Moody's Investment in a mortgage security shall not exceed 95 % of the mortgage security's fair market value;

(xi) Medium-term corporate notes of a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States, which are rated A-1/AA, or better by S&P or P-1/Aa or better by Moody's;

(xii) Shares in beneficial interest issued by money market funds which are rated AAAm/AAAm-G or better, by S&P, investing in the securities and obligations as authorized by clauses (1) to (13), inclusive, of this definition; and

(xiii) To the extent of moneys pledged to the payment of, or as security for, the Bonds and held by the Fiscal Agent or Paying Agent, as applicable; in any other prudent investment; provided that such investment is rated AA/Aa or better by S&P and Moody's; or if such investment is a guaranteed investment contract, that the issuer thereof has a claims paying rate of AA/Aa or better by S&P and Moody's.

"Pledged Assessments" shall mean the Assessments and the proceeds of any foreclosure proceedings attributable thereto, if any, (i) less the amounts deducted and set aside in accordance with the Order in the servicing and maintenance fund established in accordance with the Order, and (ii) less the amounts deducted and set aside in accordance with the Order in the administrative expenses fund established in accordance with the Order.

"Pledged Revenues" shall mean (a) with respect to the Authority Bonds: (i) all principal of, premium, if any, and interest on, and all other amounts payable by the District with respect to the District Bonds held by the Authority, (ii) all moneys deposited and held from time to time by the Paying Agent or the Fiscal Agent in the funds and accounts established with respect to such Series, and (iii) all interest, profits and other income received from the investment of such amounts; and (b) with respect to the District Bonds: (i) the Pledged Assessments, (ii) all moneys deposited and held from time to time by Fiscal Agent in Funds, Accounts and Subaccounts established with respect to such District Bonds, and (iii) all interest, profits and other income received from the investment of such amounts.

"Pre-refunded Municipals" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest Rating Category of Moody's or S&P or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

"Rating Agencies" shall mean Moody's and S&P.

"Rating Category" shall mean (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Record Date" shall mean, with respect to the Series 2005A Authority Bonds and the Series 2005A District Bonds, the close of business on the fifteenth day of the month next preceding each Interest Payment Date.

"Redemption Fund" shall mean the fund of that name established pursuant to the Indenture.

"Reserve Fund" shall mean, with respect to the Series 2005A District Bonds, the fund of that name established pursuant to the District Master Indenture.

“Reserve Requirement” shall mean, as of any date of calculation, the least of (i) 10% of the original principal amount of the District Bonds, (ii) 125% of the average amount of principal and interest becoming due and payable on District Bonds during each full Fiscal Year after the date of calculation, or (iii) the greatest amount of principal and interest becoming due and payable on all District Bonds in any six calendar month period after the date of calculation.

“Resolution” shall mean the “Resolution of the Board of Supervisors of the County of Los Angeles, Acting as the Legislative Body of the Los Angeles County Regional Park and Open Space District, levying an Additional Assessment Within the District, Amending the Method of Assessment and Authorizing the Expenditure of District Revenues for any Authorized Purpose, Subject to Approval by the County Electorate” adopted June 18, 1996 and approved by the majority of the electors of the County voting at an election held November 5, 1996.

“Second Supplemental Indenture” shall mean the Authority Second Supplemental Indenture of Trust, dated as of February 1, 2005, by and between the Authority and the Fiscal Agent.

“Series” shall mean Authority Bonds or District Bonds, as the case may be, issued at the same time or sharing some other common term or characteristic and designated as a separate series of Authority Bonds or District Bonds.

“S&P” shall mean Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority or the District, as appropriate.

“State” shall mean the State of California.

“Supplemental Indenture” shall mean any supplemental indenture then in full force and effect, which has been duly executed by the Authority, providing for the issuance of a Series of, or multiple Series of, Authority Bonds, amending or supplementing the Master Indenture or amending or supplementing another Supplemental Indenture.

## **THE AUTHORITY MASTER INDENTURE**

### **Issuance of Additional Authority Bonds and Refunding Authority Bonds**

Prior to or simultaneously with the delivery of any subsequent Series of Authority Bonds, there shall be filed with the Paying Agent and the Fiscal Agent the following:

- (i) an original executed counterpart or a copy, certified as correct and complete by an Authorized Authority Representative, of the Master Indenture;
- (ii) an original executed counterpart or a copy, certified as correct and complete by an Authorized Authority Representative, of the Supplemental Indenture providing for the issuance of such subsequent Series of Authority Bonds;
- (iii) evidence of the issuance and delivery to the Authority by the District of District Bonds, the payment of principal and interest on which shall when combined with principal and interest on all other District Bonds held by the Authority, provide sufficient funds to permit the

Authority to pay principal and interest on all Authority Bonds as the same shall become due and payable; and

(iv) an opinion of Bond Counsel substantially to the effect that (A) the issuance of such subsequent Series of Authority Bonds has been duly authorized, (B) all legal conditions precedent to the delivery of such subsequent Series of Authority Bonds have been fulfilled, (C) the subsequent Series of Authority Bonds are valid and binding obligations of the Authority enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Authority, (D) the issuance of the subsequent Series of Authority Bonds and the intended expenditure of the proceeds thereof will not adversely affect the tax-exempt status of any Authority Bonds Outstanding immediately after such issuance which purport to bear interest which is excluded from gross income for federal income tax purposes, and (E) if it is the intention of the Authority that the interest on such subsequent Series of Authority Bonds will be excluded from gross income for federal income tax purposes, an opinion to that effect.

Refunding Authority Bonds may be issued under and secured by the Master Indenture for the purpose of providing funds for refunding all of the Outstanding Authority Bonds of any one or more Series or any portion thereof in accordance with and as permitted by applicable law and the Master Indenture; provided, however, that the provisions of the Master Indenture shall be deemed satisfied if immediately after the issuance of such refunding Authority Bonds, the Authority shall hold District Bonds the payment of principal and interest on which shall provide sufficient funds to permit the Authority to pay principal and interest on all Authority Bonds as the same shall become due and payable.

### **Pledged Revenues**

The Authority Bonds of each Series will be secured by a first lien and charge on and pledge of the related Pledged Revenues and shall be of equal rank without preference, priority or distinction of any Authority Bond of any such Series over any other Authority Bond of any other Series. The Authority by execution of the Master Indenture and the related Supplemental Indenture grants such pledge and first lien on the Pledged Revenues. The Authority covenants that, until all Authority Bonds and the interest thereon shall have been paid or are deemed to have been paid, it will not grant any pledge of the Pledged Revenues ranking senior to the pledge to the Bondholders or create or permit to be created any charge or lien, other than a charge or lien arising by operation of general provisions of law, on such Pledged Revenues ranking senior to the charge or lien of the Series of Authority Bonds.

### **Establishment of Funds**

*Debt Service Fund.* The Fiscal Agent shall, on or before each Interest Payment Date, make the following deposits from the Pledged Assessments with respect to the Series 2005A Authority Bonds:

(i) to the Bond Interest Account of the 2005A Debt Service Fund an amount which, together with the amount on deposit therein, equals the interest to fall due on the immediately succeeding Interest Payment Date; and

(ii) to the Bond Principal Account of the 2005A Debt Service Fund an amount which, together with the amount on deposit therein, equals the principal payable on the immediately succeeding Interest Payment Date plus any premium.

There shall be withdrawn on or before each Interest Payment Date with respect to a Series of Bonds, from the Bond Interest Account of the related Debt Service Fund and the Bond Principal Account of the related Debt Service Fund and deposited with the applicable Paying Agent or Paying Agents sufficient money for paying the interest on the related Series of Bonds and the principal of and premium on the related Series of Bonds as the same shall be due and payable.

Any amounts remaining in the Accounts of the Debt Service Fund with respect to a Series of Bonds on each Interest Payment Date, mandatory sinking fund date or maturity date which are not required for the payment of principal or interest with respect to such Series of Bonds on the next Interest Payment Date, mandatory sinking fund date or maturity date shall be remitted to the Authority to be thereupon transferred to the District.

*Redemption Fund.* All moneys the Authority deposits with the Fiscal Agent for the purpose of redeeming Series 2005A Authority Bonds, unless otherwise directed by the Authority, will be deposited in the 2005A Redemption Fund. All amounts deposited in the 2005A Redemption Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of redeeming the Series 2005A Authority Bonds, in the manner, at the times and upon the terms and conditions specified in the Second Supplemental Indenture. If at any time prior to the time the Paying Agent delivers notice of the redemption of Series 2005A Authority Bonds, the Fiscal Agent shall, upon receipt of written instructions from an Authorized Authority Representative, apply such amounts to the purchase of Series 2005A Authority Bonds at public or private sale, as and when and at such prices (including brokerage and other charges) as directed by the Authority.

All moneys deposited in the Redemption Fund for the purpose of paying Series 2005A Authority Bonds which are called for redemption shall be held in trust for the holders of the Series 2005A Authority Bonds and such funds shall be held uninvested, or invested in securities in accordance with the Indenture.

### **Unclaimed Moneys**

Any moneys which the Fiscal Agent shall have received from any source and set aside for the purpose of paying any Authority Bond shall be held in trust for the holder of such Authority Bond, but any money so set aside or deposited by the Fiscal Agent and which remains unclaimed by the holder of such Authority Bond for a period of one year after the date on which such Authority Bond shall have become due and payable (or such longer period as shall be required by State law) shall be paid to the Authority to be paid to the District for use in making equitable District-wide grants, all in accordance with the Indenture.

### **Covenants of the Authority**

The Authority covenants and agrees that it will duly and punctually pay or cause to be paid from the Pledged Revenues and to the extent thereof the principal of, premium, if any, and interest on every Authority Bond of such Series at the place and on the dates and in the manner specified in the Indenture and in such Authority Bonds, according to the true intent and meaning thereof. The Authority's obligation to make payments of the principal of, premium, if any, and interest on the Authority Bonds shall be limited to payments from Pledged Revenues, the Funds and Accounts pledged therefor, and any other source which the Authority may specifically provide for such purpose and no Bondholder shall have any right to force payment from any other funds of the Authority.

## **Investments**

Money held by the Fiscal Agent in any fund or account under the Master Indenture and any Supplemental Indenture shall be invested by the Fiscal Agent in Permitted Investments pending application, all as provided in the Master Indenture and any Supplemental Indenture.

## **Defeasance**

Authority Bonds of any Series or portions thereof (such portions to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of the Master Indenture except for the purposes of payment from moneys, Government Obligations or Pre-refunded Municipals. When all Authority Bonds of any Series which have been issued under the Master Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Indenture by the Authority, including all necessary and proper fees, compensation and expenses of the Fiscal Agent and any Paying Agents, have been paid or are duly provided for, then the right, title and interest of the Fiscal Agent in and to the Pledged Revenues shall thereupon cease, terminate and become void, and thereupon the Fiscal Agent shall: (i) cancel, discharge and release the Master Indenture; (ii) execute, acknowledge and deliver to the Authority such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and such satisfaction and discharge; and (iii) assign and deliver to the Authority any property and revenues at the time subject to the Master Indenture which may then be in the Fiscal Agent's possession, except funds or securities in which such funds are invested and held by the Fiscal Agent or the Paying Agents for the payment of the principal of, premium, if any, and interest on such Bonds.

An Authority Bond shall be deemed to be paid for all purposes of the Master Indenture when (a) payment with respect thereto of the principal, interest and premium, if any, either (i) shall have been made or caused to be made in accordance with the terms of the Authority Bonds, the Master Indenture and the related Supplemental Indenture or (ii) shall have been provided for, as certified to the Fiscal Agent by a Financial Consultant, by irrevocably depositing with the Fiscal Agent in trust and irrevocably setting aside exclusively for such payment: (1) moneys sufficient to make such payment, (2) Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, or (3) Pre-refunded Municipals, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Fiscal Agent and the Paying Agent pertaining to such Authority Bond with respect to which such deposit is made shall have been paid or provision made for the payment thereof. At such times as a Series of Authority Bonds shall be deemed to be paid, such Series of Authority Bonds shall no longer be secured by or entitled to the benefits of the Master Indenture, except for the purposes of payment from such moneys, Government Obligations or Pre-refunded Municipals.

No deposit shall be deemed a payment of such Authority Bonds until either the maturity of such Authority Bonds or the giving of proper notice of redemption of such Authority Bonds or the giving of irrevocable instructions to the Paying Agent to notify, as soon as practicable, the Bondholders in accordance with the Master Indenture that the Authority Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and unpaid interest on such Authority Bonds.

## Defaults and Remedies

*Events of Default.* Each of the following events shall constitute and is referred to in the Master Indenture as an “Event of Default”:

- (i) a failure to pay the principal of or premium, if any, on any of the Authority Bonds when the same shall become due and payable at maturity or upon redemption;
- (ii) a failure to pay any installment of interest on Authority Bonds when such interest shall become due and payable;
- (iii) a failure by the Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (i) and (ii) above) contained in the Authority Bonds or in the Master Indenture on the part of the Authority to be observed or performed, which failure shall continue for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Fiscal Agent; provided, however, that the Fiscal Agent shall be deemed to have agreed to an extension of such period to the extent that and so long as corrective action is initiated by the Authority within such period and is being diligently pursued;
- (iv) the occurrence of any other Event of Default as may be provided in a Supplemental Indenture.

Upon its actual knowledge of the occurrence of any Event of Default, the Fiscal Agent shall immediately give written notice thereof to the Authority.

*Remedies.* Upon the occurrence and continuance of any Event of Default specified in (i) or (ii) above, the Fiscal Agent shall proceed, or upon the occurrence and continuation of any other Event of Default under the Master Indenture the Fiscal Agent may proceed (and upon the written direction of the holders of not less than a majority of the aggregate principal amount of the Authority Bonds then Outstanding shall proceed) in its own name and as the Fiscal Agent of an express trust to exercise the following remedies:

- (i) declare the principal of all Authority Bonds then Outstanding and the accrued but unpaid interest thereon to be due and payable immediately, and upon any such declaration, all Authority Bonds shall become due and payable, anything to the contrary contained herein or in the Authority Bonds notwithstanding; provided, however, that if, at any time after the principal of the Authority Bonds then Outstanding shall have been declared due and payable and before any judgment or decree for the payment of amounts due thereon shall have been obtained or entered, the Authority shall deposit with the Fiscal Agent an amount sufficient to pay all principal of and accrued but unpaid interest on the Authority Bonds to the date of such declaration, with interest at the rate applicable to Bonds on such overdue principal of and interest on Bonds, and the reasonable expenses of the Fiscal Agent, and any and all other defaults known to the Fiscal Agent (other than in the payment of principal of, and interest on the Authority Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Fiscal Agent or provision deemed by the Fiscal Agent to be adequate shall have been made therefor, then and in every such case the holders of not less than a majority of the aggregate principal amount of Authority Bonds then Outstanding, by written notice to the Authority and to the Fiscal Agent, may on behalf of the holders of all the Authority Bonds then Outstanding rescind and annul such

declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power arising as a result of such subsequent default;

(ii) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of such Bondholders, and require the Authority to carry out any agreements with or for the benefit of such Bondholders and to perform its or their duties under the JPA Law or any other law to which it is subject and the Master Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Master Indenture;

(iii) bring suit upon the defaulted Bonds;

(iv) commence an action or suit in equity to require the Authority to account as if it were the trustee of an express trust for the holders of the Authority Bonds; or

(v) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Authority Bonds.

The Fiscal Agent shall be under no obligation to take any action with respect to any Event of Default unless the Fiscal Agent has actual knowledge of the occurrence of such Event of Default.

*Bondholders' Right to Direct Proceedings.* Anything in the Master Indenture to the contrary notwithstanding, if an Event of Default has occurred and is continuing under the Master Indenture, holders of a majority in principal amount of the Authority Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Fiscal Agent, to direct the time, method and place of conducting all remedial proceedings available to the Fiscal Agent under the Master Indenture to be taken in connection with the enforcement of the terms of the Master Indenture or exercising any trust or power conferred on the Fiscal Agent by the Master Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and the Master Indenture and that there shall have been provided to the Fiscal Agent security and indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities to be incurred as a result thereof by the Fiscal Agent; provided further that the Fiscal Agent shall have the right to decline to follow any such direction which in the opinion of the Fiscal Agent would be unjustly prejudicial to holders of Authority Bonds not parties to such direction.

*Limitation on Bondholders' Right to Institute Proceedings.* No owner of any Authority Bond will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Master Indenture, the Order, the JPA Law or any other applicable law, unless (i) such owner shall have given to the Fiscal Agent written notice of the occurrence of an Event of Default; (ii) the owners of not less than a majority of the aggregate principal amount of the Authority Bonds then Outstanding for which an Event of Default has occurred and is continuing shall have made written request upon the Fiscal Agent to exercise the powers heretofore granted under the Master Indenture or to institute such suit, action or proceeding in its own name; (iii) such owner or owners shall have tendered to the Fiscal Agent reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (iv) the Fiscal Agent shall have refused or failed to comply with such request for a period of 60 days after such written request shall have been received by and such tender of indemnity shall have been made to, the Fiscal Agent.

*No Impairment of Right to Enforce Payment.* Notwithstanding any other provision in the Master Indenture, the right of any Bondholder to receive payment of the principal of and interest on such holder's

Authority Bond, on or after the respective due dates expressed therein and to the extent of the Pledged Revenues, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Bondholder.

*Application of Moneys.* If an Event of Default shall occur and be continuing, all and any other funds then held or thereafter received by the Fiscal Agent under any of the provisions of the Master Indenture shall be applied by the Fiscal Agent as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Bondholders and payment of reasonable fees and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Master Indenture; and

(2) To the payment of the principal of and interest then due on the Authority Bonds (upon presentation of the Authority Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Master Indenture, as follows:

(i) Unless the principal of all of the Authority Bonds shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination of preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Authority Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Authority Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amount of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Authority Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Authority Bonds, with interest on the overdue principal at the respective rates borne by the Authority Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Authority Bond of any Series over any other Authority Bond of such Series, according to the amounts due respectively for principal and interest, to the persons entitled thereto without discrimination or preference.

Whenever moneys are to be applied pursuant to the above provisions, such moneys shall be applied at such times, and from time to time, as the Fiscal Agent shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming

available for such application in the future. Whenever the Fiscal Agent shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Fiscal Agent shall give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Bondholders and shall not be required to make payment to any Bondholder until such Authority Bonds shall be presented to the Fiscal Agent for appropriate endorsement or for cancellation if fully paid.

*Additional Events of Default and Remedies.* The Events of Default and remedies as set forth in the Master Indenture may be supplemented with such additional Events of Default and remedies as may be set forth in a Supplemental Indenture.

### **Fiscal Agent, Paying Agent and Other Agents**

The Fiscal Agent is authorized to and shall maintain and administer funds, accounts and subaccounts in accordance with the terms of the Master Indenture, and shall perform all other duties assigned to it or imposed on it as provided in the Master Indenture. The Fiscal Agent shall keep accurate records of all funds and accounts administered by it.

The Authority may at any time or from time to time appoint a Paying Agent or Paying Agents for the Authority Bonds or for any Series of Authority Bonds, to act in accordance with the terms of the Master Indenture and any related Supplemental Indenture.

The Authority may, at any time, remove the Fiscal Agent and the Paying Agent and appoint one or more successors. Upon the occurrence and continuation of an Event of Default, if the Auditor-Controller of the County is acting as Fiscal Agent with respect to the Authority Bonds, the Authority shall remove the Fiscal Agent and appoint a successor.

### **Modification of the Master Indenture**

*Supplemental Indentures Not Requiring Consent of Bondholders.* The Authority may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Indentures supplementing or amending the Master Indenture or any Supplemental Indenture as follows:

- (i) to provide for the issuance of a Series or multiple Series of Authority Bonds under the provisions of the Master Indenture and to set forth the terms of such Authority Bonds and the special provisions which shall apply to such Authority Bonds;
- (ii) to cure any formal defect, omission, inconsistency or ambiguity in the Master Indenture or any Supplemental Indenture;
- (iii) to add to the covenants and agreements of the Authority in the Master Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Authority, and which shall not adversely affect the interests of the Bondholders;
- (iv) to confirm, as further assurance, any interest of the Fiscal Agent in and to the Pledged Revenues or in and to the funds, accounts and subaccounts held by the Fiscal Agent or in and to any other moneys, securities or funds of the Authority provided pursuant to the Indenture or to otherwise add additional security for the Bondholders;

(v) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(vi) to modify, alter, amend or supplement the Master Indenture or any Supplemental Indenture in any other respect which, in the judgment of the Authority, is not materially adverse to the Bondholders;

(vii) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(viii) to qualify the Authority Bonds or a Series of Authority Bonds for a rating or ratings by any one or more of the Rating Agencies; and

(ix) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on any of the Authority Bonds which purport to bear interest which is excluded from gross income for federal income tax purposes.

*Supplemental Indenture Requiring Consent of Bondholders.* Except for any Supplemental Indenture entered as described immediately above or immediately below, the holders of not less than a majority in aggregate principal amount of the Authority Bonds then Outstanding shall have the right from time to time to consent to and approve, in accordance with the Master Indenture and the Supplemental Indenture, the execution by the Authority of any Supplemental Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in a Supplemental Indenture.

The Authority may, from time to time and at any time execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture pursuant to which a Series or multiple Series of Authority Bonds are issued. If such Supplemental Indenture is executed for one of the purposes set forth in paragraphs (i) to (ix) above, no notice to or consent of the Bondholders shall be required.

If Bondholders of not less than the percentage of Authority Bonds required by the Master Indenture shall have consented to and approved the execution and delivery thereof, no Bondholders shall have any right to object to the adoption of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

## **AUTHORITY FIRST SUPPLEMENTAL INDENTURE**

### **Acceleration**

The maturity of Insured Bonds insured by Financial Security shall not be accelerated without the consent of Financial Security. In the event the maturity of the Insured Bonds is accelerated by the Fiscal Agent, Financial Security may elect, in its sole discretion, to pay the principal and interest accrued through the date of acceleration (to the extent unpaid by the Authority). Upon payment of such accelerated principal and interest accrued to the acceleration date, Financial Security's obligations under the Policy with respect to such Insured Bonds shall be fully discharged.

## **Defeasance**

Notwithstanding any provisions of the Authority Master Indenture to the contrary, only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasury”), (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, (4) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively or (5) securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof to the extent they are not inconsistent with the definitions of Government Obligations and Pre-refunded Municipals, as applicable, as provided in the Authority Master Indenture, shall be authorized to be used to effect defeasance of the Insured Bonds unless Financial Security otherwise approves.

In addition to the requirements of the Authority Master Indenture, in connection with any defeasance of the Insured Bonds, the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to Financial Security (“Accountant”) verifying the sufficiency of the escrow established to pay the Insured Bonds in full on the maturity or redemption date (“Verification”), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to Financial Security), (iii) an opinion of nationally recognized bond counsel to the effect that the Insured Bonds are no longer Outstanding under the Authority Indenture and (iv) a certificate of discharge of the Fiscal Agent with respect to the Insured Bonds; each Verification and defeasance opinion shall be acceptable in form and substance and addressed to the Authority, the Fiscal Agent and Financial Security. Financial Security shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow. The Insured Bonds shall be deemed Outstanding under the Authority Master Indenture unless and until they are in fact paid and retired or the above criteria are satisfied.

## **THE DISTRICT MASTER INDENTURE**

### **Additional District Bonds**

Prior to or simultaneously with the delivery of any subsequent Series of District Bonds, the Fiscal Agent shall require the delivery of certain documents, certificates, opinions and instructions as set forth in the District Master Indenture. In particular, as a condition to the issuance of any Series of District Bonds subsequent to the issuance of the Series 2005A District Bonds, there shall be delivered to the Fiscal Agent a certificate of the County certifying that, based upon a review of the books and records maintained by the District for each Fiscal Year, the product of (i) the total number of benefit points in the District as of the last day of the Fiscal Year ended next prior to the date on which such District Bonds are to be issued times (ii) 80% of the maximum dollar amount per benefit point at which Assessments are authorized to be levied in each Fiscal Year thereafter during which District Bonds are scheduled to be outstanding times (iii) the percentage, as certified by the Auditor-Controller of the County, of the County’s secured property tax levy for such prior Fiscal Year actually collected during such prior Fiscal Year, equals at least 1.15 times the Maximum Annual Debt Service in any Fiscal Year thereafter on all District Bonds to be Outstanding immediately subsequent to the issuance of the additional District Bonds. This certificate shall not be required with respect to such District Bonds as are being issued for the purpose of refunding their Outstanding Bonds if there is delivered to the Fiscal Agent and the Paying Agent, in lieu thereof a certificate of an Authorized District Representative showing that Annual Debt Service in each year on the refunding Bonds will not exceed Annual Debt Service in each year that would have been payable with respect to the refunded Bonds had the refunding Bonds not been issued.

## **Refunding District Bonds**

Refunding District Bonds of the District may be issued under and secured by the District Master Indenture for the purpose of providing funds for the refunding of the outstanding District Bonds or any portion thereof in accordance with and as permitted by applicable law and the District Second Supplemental Indenture.

## **District Pledged Revenues and Funds**

*District Pledged Revenues.* The District Bonds are secured by a first lien and charge on and pledge of District Pledged Revenues and shall be of equal rank without preference, priority or distinction of any District Bond of any Series over any other District Bond of any other Series. The District has granted to the holders of District Bonds (which, with respect to the Series 2005A District Bonds, is the Authority) a pledge and first lien on the District Pledged Revenues and has covenanted that, until the District Bonds of all Series and the interest thereon shall have been paid or shall have been deemed to have been paid, it will not issue any obligations secured by a lien on the Pledged Revenues that is senior to the lien thereon in favor of the Bondholders or that ranks on a parity with the lien thereon in favor of Bondholders except upon compliance with the additional bonds test and provisions of the Master Indenture governing the issuance of temporary bonds, the issuance of parity bonds or refunding bonds, as applicable.

*Establishment of Funds and Accounts.* The District Master Indenture establishes the following funds the Project Fund, the District Debt Service Fund, the District Reserve Fund, the District Redemption Fund and the District Earnings Fund. Within the Project Fund, the District Master Indenture establishes certain accounts designated as the “Beach Account,” the “Museum Account” and the “Parks Account.” Other accounts and subaccounts will be established within each such fund with respect to the Series 2005A District Bonds as set forth in the District Second Supplemental Indenture.

*Reserve Fund; 2005A Reserve Account.* The 2005A Reserve Account will be established within the Reserve Fund held under the District Indenture in an amount equal, as of any date of calculation, to the “Reserve Requirement.” The initial deposit to the 2005A Reserve Account will be made from amounts transferred from the 1997A Reserve Account. Thereafter, the deposit to each Reserve Account of the Reserve Fund, including but not limited to the 2005A Reserve Account, will be made from Pledged Assessments in an amount necessary to increase the amount on deposit therein to an amount equal to the Reserve Requirement for the related Series of Bonds, when and as received, to the extent necessary to fund such account, and after prior allocations to the Bond Interest Subaccount and Bond Principal Subaccount of each Debt Service Account of the Debt Service Fund equal to the interest and principal, respectively, payable on the immediately succeeding payment date, plus premium, if any. If after making the deposits to such Bond Interest Subaccount and Bond Principal Subaccount of each Debt Service Account of the Debt Service Fund are less than the amount necessary to fund such Reserve Accounts of the Reserve Fund, then the entire balance of the Pledged Assessments remaining shall be deposited into each such Reserve Account.

Notwithstanding anything in the District Indenture to the contrary, at the option of the District, amounts required to be held in the 2005A Reserve Account may be initially provided or substituted, in whole or in part, by the deposit with the Fiscal Agent of a Reserve Fund Credit Policy in a stated amount equal to the amounts to be initially provided or so substituted, *provided* that prior to any substitution of such Reserve Fund Credit Policy, the Rating Agencies shall have been notified of such proposed substitution and the substitution shall not result in a downgrading or withdrawal of any rating of any Authority Bonds or District Bonds then in effect by the Rating Agencies. Any such substituted moneys shall be applied as directed by the District.

So long as a Reserve Fund Credit Policy shall be in force and effect, any deposits required to be made with respect to a Reserve Account pursuant to the District Master Indenture shall include any amounts due to the provider of such Reserve Fund Credit Policy resulting from a draw on such Reserve Fund Credit Policy. Any such amounts shall be paid to the provider of such Reserve Fund Credit Policy as provided in such Reserve Fund Credit Policy or any related agreement.

### **Covenants of the District**

*Payment of Principal and Interest.* The District covenants and agrees that it will duly and punctually pay or cause to be paid from the Pledged Assessments described in the District Master Indenture and to the extent thereof the principal of, premium, if any, and interest on every District Bond at the place and on the dates and in the manner specified herein and in each District Bond, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements contained herein and in the District Bonds and the District agrees that time is of the essence of the District Master Indenture, provided that the District's obligation to make payment of the principal of, premium, if any, and interest on the District Bonds shall be limited to payment from the Pledged Assessments, the funds, accounts, subaccounts pledged therefor and any other source which the District may specifically provide for such purpose and no holder of a District Bond shall have any right to force payment from any other funds of the District.

*Levy of Assessments.* The Board shall annually levy, or cause to be levied, the Assessments in accordance with the Order and applicable law. Unless otherwise required by applicable law, the District covenants that it shall not take, or cause to be taken, any action that would result in the reduction of the amount of the levy of Pledged Assessments with respect to any Fiscal Year below an aggregate amount equal to 1.15 times the Maximum Annual Debt Service on all Outstanding District Bonds and any District Bonds that the District reasonably expects to be issued during the then-present Fiscal Year.

*Deferral of Assessments.* Subject to the Order, the District shall not directly or indirectly extend or defer the payment of any Assessments if, following such extension or deferral, the value of the Pledged Assessments not subject to such extension or deferral would be less than 1.15 times the Maximum Annual Debt Service on all Outstanding District Bonds theretofore issued; provided, however, that this covenant in no way limits the District's ability to defer Assessments pursuant to Section 170 and 194-95 of the California Revenue and Taxation Code and Chapter 4.64 of the Los Angeles County Code.

*Collection of Assessments and Receipt of Deposits of Pledged Assessments.* The District covenants and agrees that it will use its best efforts to collect the Assessment and deposit or cause the deposit of Pledged Assessments with the Fiscal Agent on a timely basis, and the District agrees that at the time Pledged Assessments are paid to the District, the District will immediately upon receipt transfer the required portion of the Pledged Assessments to the Fiscal Agent for credit to the District Debt Service Fund established with respect to the District Bonds, and during such time as such portion of Pledged Assessments are held by the District prior to transfer to the Fiscal Agent, such portion of Pledged Assessments will be impressed with a trust and held for the District Bondholders. The District shall have no obligation to institute judicial foreclosure proceedings as a result of delinquencies in the payments of Assessments, but shall take such actions with respect to such delinquencies as are consistent with the policy of the County regarding delinquent property taxes generally.

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

*District Events of Default.* The District Master Indenture sets forth the "District Events of Default," which include, among others, the failure to pay the principal of or premium, if any, on the District Bonds when the same shall become due and payable at maturity or upon redemption, the failure

to pay any installment of interest on the District Bonds when such interest shall become due and payable and the failure by the District to observe and perform certain covenants, conditions, agreements or provisions, which failure shall continue for a period of 30 days after written notice, all as set forth in the District Master Indenture.

*Remedies.* Upon the occurrence and continuance of any District Event of Default the Fiscal Agent may, and in certain situations set forth in the District Master Indenture shall, exercise remedies established in the District Master Indenture.

No person other than the Fiscal Agent or the Bondholders shall be entitled to exercise any right or remedy provided to such Bondholders under a District Supplemental Indenture on the basis of the District's failure to observe, or refusal to comply with the above covenant.

### **Tax Covenant**

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on bonds issued from time to time by the Authority, the District covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code with respect to such bonds. The District agrees to comply with the covenants contained in, and the instructions given pursuant to nonarbitrage certificates executed in connection with the issuance of such bonds, as such nonarbitrage certificates may be amended from time to time, as a source of guidance for compliance with such provisions. The Fiscal Agent agrees to comply with any instructions received from an Authorized District Representative which such Authorized District Representative indicates must be followed in order to comply with such a Nonarbitrage Certificate.

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## APPENDIX C

### THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of December 31, 2004, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$ 7.862
Schools and Community Colleges	8.484
Independent Public Agencies	<u>1.251</u>
Total	\$ 17.597

Of these entities, the involuntary participants accounted for approximately 92.88%, and all discretionary participants accounted for 7.12% of the total treasury pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on February 3, 2004, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors for formal action to approve it. According to the Investment Report dated December 24, 2004, the December 31, 2004 book value of the Treasury Pool was approximately \$17.597 billion and the corresponding market value was approximately \$17.558 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. They also review each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor Controller's Office performs similar cash and investment reconciliation on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The Treasury Pool is highly liquid. As of December 31, 2004 approximately 54.25% of the pool investments mature within 60 days, with an average of 175.27 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Pool as of December 31, 2004.

<u>Type of Investment</u>	<u>% of Pool</u>
U.S. Government and Agency Obligations	47.81
Certificates of Deposit	17.66
Commercial Paper	27.44
Bankers Acceptances	0.00
Municipal Obligations	0.15
Corporate Notes & Deposit Notes	6.26
Asset Backed Instruments	0.00
Repurchase Agreements	0.68
Other	0.00

Effective January 1, 1996, Section 27131 of the Government Code requires all counties investing surplus funds to establish a County Treasury Oversight Committee. On January 16, 1996, the Board of Supervisors approved the establishment of the County Treasury Oversight Committee and subsequently confirmed the five Committee members nominated by the Treasurer in accordance with that Section. The Committee, which meets quarterly, is required to review and monitor for compliance the investment policies prepared by the Treasurer.

## APPENDIX D

### FORM OF BOND COUNSEL APPROVING OPINION

*Upon the delivery of the Series 2005A Authority Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:*

[Closing Date]

Los Angeles County Public Works Financing Authority  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Los Angeles County Regional Park and Open Space District  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Re: Los Angeles County Public Works Financing Authority  
Refunding Revenue Bonds, Series 2005A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Los Angeles County Public Works Financing Authority, a joint exercise of powers entity formed and existing under the Constitution and the laws of the State of California (the "Authority"), in connection with the issuance and sale by the Authority of \$181,220,000 aggregate principal amount of revenue bonds designated the Los Angeles County Public Works Financing Authority Refunding Revenue Bonds, Series 2005A (the "Series 2005A Authority Bonds"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture as hereinafter defined.

The Series 2005A Authority Bonds are issued pursuant to the Mark-Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code), and pursuant to an Authority Master Indenture of Trust, dated as of November 1, 1997 (the "Master Indenture"), as supplemented, including by an Authority Second Supplemental Indenture of Trust, dated as of February 1, 2005 (the "Second Supplemental Indenture" and, together with the Master Indenture and any other supplemental indenture, the "Indenture"), each by and between the Authority and the Auditor-Controller of the County of Los Angeles, as fiscal agent (the "Fiscal Agent"), to advance refund a portion of the outstanding principal amount of the Authority's Revenue Bonds, Series 1997A (Los Angeles County Regional Park and Open Space District) (the "1997 Bonds"), and to pay certain costs of issuance in connection therewith. The Series 2005A Authority Bonds are secured by the Pledged Revenues as defined in and pledged under the Indenture, including payments to be made by the Los Angeles County Park and Open Space District, a body corporate and politic organized and existing under the Constitution and the laws of the State of California (the "District"), to the Authority of principal of, premium, if any, and interest on the Series 2005A District Bonds. The District is issuing the Series 2005A District Bonds for the purpose of refunding a portion of its Limited Obligation Improvement Bonds, Series 1997A (the "1997 District Bonds") which are owned by the Authority.

The Authority is authorized to issue Bonds, in addition to the Series 2005A Authority Bonds, upon the terms and conditions set forth in the Master Indenture and such Bonds, when issued, shall, with the Series 2005A Authority Bonds and with all other such Bonds theretofore issued, rank on parity with each other Series of Bonds.

We have examined a record of proceedings relating to the issuance of the Series 2005A Authority Bonds and the Series 2005A District Bonds and have also examined such certificates of officers of the Authority and the District and others as we have considered necessary for the purposes of this opinion.

We are of the opinion that:

1. The Series 2005A Authority Bonds constitute the valid and binding obligations of the Authority, payable solely from the Pledged Revenues, as provided in the Indenture.

2. The Authority Second Supplemental Indenture has been duly authorized, executed and delivered by the Authority and constitutes a legal valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2005A Authority Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2005A Authority Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering the opinion in this paragraph 3, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Indenture and the Tax and Nonarbitrage Certificate delivered on the date hereof with respect to the use of proceeds of the Series 2005A Authority Bonds and the investment of certain funds, and other matters affecting the non-inclusion of interest on the Series 2005A Authority Bonds in gross income for Federal income tax purposes under Section 103 of the Code, and (ii) compliance by the Authority and the District with procedures and covenants set forth in the Tax and Nonarbitrage Certificate and with the tax covenants set forth in the Indenture as to such matters. Under the Code, failure to comply with such procedures and covenants may cause the interest on the Series 2005A Authority Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the Series 2005A Authority Bonds, irrespective of the date on which such noncompliance occurs or is ascertained.

4. Under existing statutes, interest on the Series 2005A Authority Bonds is exempt from State of California personal income taxes.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the Series 2005A Authority Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Series 2005A Authority Bonds, or under State and local tax law.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2005A Authority Bonds or the Series 2005A District Bonds.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2005A Authority Bonds, the Indenture and the Tax and Nonarbitrage Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law).

Very truly yours,

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## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

#### Book-Entry-Only System

*General.* The Series 2005A Authority Bonds will be available in book-entry form only in the principal amount of \$5,000 and any integral multiples thereof. Purchasers of beneficial ownership interests in the Series 2005A Authority Bonds will not receive certificates representing their interests in the Series 2005A Authority Bonds purchased. The Underwriters will confirm original issuance purchases with statements containing certain terms of the Series 2005A Authority Bonds purchased.

**The following information concerning the Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from sources the Authority, the District and the Underwriters believe to be reliable; however, the Authority, the District and the Underwriters take no responsibility as to the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.**

DTC will act as securities depository for the Series 2005A Authority Bonds. The Series 2005A Authority Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Series 2005A Authority Bonds as set forth on the inside cover hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2005A Authority Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005A Authority Bonds on DTC’s records.

The ownership interest of each actual purchaser of each Series 2005A Authority 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 2005A Authority 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 2005A Authority Bonds, except as specifically provided in the Indenture, or in the event that use of the book-entry system for the Series 2005A Authority Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005A Authority 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 2005A Authority Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005A Authority Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2005A Authority 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.

Such Direct Participants and the persons for whom they acquire interests in the Series 2005A Authority Bonds as nominees will not receive certificated Series 2005A Authority Bonds, but each such Direct Participant will receive a credit balance in the records of DTC in the amount of such Direct Participant’s interest in the Series 2005A Authority Bonds, which will be confirmed in accordance with DTC’s standard procedures. Each such person for whom a Direct Participant acquires an interest in the Series 2005A Authority Bonds, as nominee, may desire to make arrangements with such Direct Participant to receive a credit balance in the records of such Direct Participant, and may desire to make arrangements with such Direct Participant to have notices of redemption or all other communications of the Authority to DTC which may affect such persons forwarded in writing by such Direct Participant and to have notifications made of all payments of interest and principal of his beneficial interest. NONE OF THE AUTHORITY, THE DISTRICT, THE COUNTY, THE PAYING AGENT OR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2005A AUTHORITY BONDS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT; THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, INTEREST ON OR REDEMPTION PRICE OF THE SERIES 2005A AUTHORITY BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2005A AUTHORITY BONDS; OR ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2005A AUTHORITY BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE SERIES 2005A AUTHORITY BONDS (OTHER THAN UNDER THE CAPTION “TAX EXEMPTION”) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2005A AUTHORITY BONDS.

DTC may discontinue providing its services as securities depository with respect to the Series 2005A Authority Bonds at any time by giving reasonable notice to the Authority or the Paying Agent.

Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered as described in the Indenture. The Beneficial Owner, upon registration of bonds in the Beneficial Owner's name, will become the registered owner of the Series 2005A Authority Bonds.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificated Series 2005A Authority Bonds will be printed and delivered to DTC.

The Authority, the County, the District and the Fiscal Agent will recognize DTC or its nominee as the sole and exclusive owner of the Series 2005A Authority Bonds registered in its name for all purposes, including notices and voting, under the Indenture, registering the transfer of the Series 2005A Authority Bonds, or other action to be taken by registered owners and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. Conveyances 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 standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant, and not of DTC, the Paying Agent, the Fiscal Agent, the Authority, the County or the District, subject to any statutory and regulatory requirements as may be in effect from time to time.

Payments of principal of, premium, if any, and interest on the Series 2005A Authority Bonds will be made to Cede & Co., as registered owner of the Series 2005A Authority Bonds 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 Fiscal Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments of principal of, premium, if any, and interest by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal 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 Fiscal Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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**APPENDIX F**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**FINANCIAL  
SECURITY  
ASSURANCE®**

## **MUNICIPAL BOND INSURANCE POLICY**

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium:

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

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

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

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

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

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

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

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

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

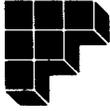
By \_\_\_\_\_

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

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

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL  
SECURITY  
ASSURANCE®**

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

ISSUER:

Policy No.:

BONDS:

Effective Date:

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

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

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

FINANCIAL SECURITY ASSURANCE INC.

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

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

(212) 826-0100

Form 560NY (CA 1/91)

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