# COUNTY OF LOS ANGELES
## TREASURER AND TAX COLLECTOR

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 437
LOS ANGELES, CA 90012
TELEPHONE: (213) 974-2101 FAX: (213) 626-1812

**MARK J. SALADINO**
TREASURER AND TAX COLLECTOR


November 30, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**COUNTY IMPROVEMENT NO. 2659-M**
**(SHRODE AVENUE SEWER PROJECT)**
**1911 ACT LIMITED OBLIGATION IMPROVEMENT BONDS**
**(FIFTH DISTRICT – 3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

Adopt an Amended and Restated Resolution authorizing the issuance and sale of County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds in an amount not to exceed $927,554 and approving certain related matters.

**PURPOSE OF RECOMMENDED ACTION**

Your Board has previously approved proceedings for County Improvement (CI) No. 2659-M for the construction of sewers in Shrode Avenue and other surrounding streets in an unincorporated area near the City of Duarte. The Department of Public Works mailed Proposition 218 ballots and a public hearing was held November 22, 2005 to hear protests and consider confirming the assessments and ordering the improvements made. The recommended action will authorize the issuance and sale of one or more series of 1911 Act Limited Obligation County Improvement Bonds for all assessments that remain unpaid at the end of a 30-day cash payment period.

**JUSTIFICATION**

On September 27, 2005, your Board approved the second amended and restated resolution of intention for the construction of sewers in an unincorporated area near the City of Duarte and set the time for a public hearing on the project. Following the conclusion of the hearing, the tabulation of ballots, the adoption of an amended and restated resolution confirming the assessments and ordering the improvements made, it

is necessary for your Board to authorize the issuance and sale of one or more series of 1911 Act Limited Obligation County Improvement Bonds. Bonds will be issued for all assessments remaining unpaid following a 30-day cash payment period. The bond proceeds, together with any cash payments received, will provide the funds required to construct the project.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal of Organizational Effectiveness through collaborative actions among County departments. It also supports the Strategic Plan Goal of Fiscal Responsibility by utilizing public-private partnerships for the investment in and development of public infrastructure in the County.

**FISCAL IMPACT**

There will be no fiscal impact to the County.

**FINANCING**

CI 2659-M is comprised of 64 residential parcels located in an unincorporated County area adjacent to the City of Duarte. The cost of constructing the project will be paid from two funding sources based on assessments within the District. The first funding source will be cash payments received during a 30-day cash payment period to pay individual assessments. The second funding source is the proceeds from the bonds.

Each owner of a parcel for which an assessment has been levied will have the choice of paying their assessment in one of three ways. The first is to pay the entire assessment in cash during the 30-day cash payment period that will precede the sale of any bonds. This will relieve the property owner of any further assessment obligation. A second option is for the property owner to pay a portion of their assessment, with 1911 Act bonds issued for the unpaid portion of their assessment. The third option is for the property owner to pay nothing during the cash payment period, after which 1911 Act bonds will be issued for the entire amount of their assessment. For all parcels for which bonds are issued, annual assessment installments will be levied over 20 years to pay the debt service on the bonds and for certain administrative expenses.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On September 27, 2005, in accordance with the provisions of the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code), a Second Amended and Restated Resolution of Intention for the Construction of Sanitary Sewers was adopted by your Board. It was further determined that District properties would be assessed, based on benefit, to pay the costs and expenses of the improvements. In

compliance with Articles XIIIC and XIIID of the California Constitution, assessment ballots (Proposition 218 ballots) were mailed to all property owners. On November 22, 2005, a public hearing was held regarding this project and found that the public convenience and necessity requires that the work be done; and, following the public hearing and the tabulation of ballots, that the assessments were confirmed and the improvements ordered.

Upon recordation of the notice of assessments and diagram, a 30-day cash payment period will begin, during which all property owners will have the opportunity to pay all or a portion of their assessment. At the end of the 30-day cash payment period, 1911 Act Bonds will be issued in accordance with the provisions of the Improvement Bond Act of 1911 (Division 10 of the California Streets and Highways Code) for all unpaid assessments. Debt service on the bonds will be repaid over 20 years through annual assessment installments.

**IMPACT ON CURRENT SERVICES (PROJECTS)**

None.

**CONCLUSION**

Upon adoption, the Department will need two (2) original executed copies of the Resolution.

Respectfully submitted,

MARK J. SALADINO
Treasurer and Tax Collector

MJS:GAB:DB:CH:pab
Pb/brdltr/CI2659ii

Attachments

c: Chief Administrative Officer
County Counsel
Auditor-Controller
Director of Public Works

**COUNTY OF LOS ANGELES**
**COUNTY IMPROVEMENT NO. 2659-M**
**(SHRODE AVENUE SEWER PROJECT)**
**1911 ACT LIMITED OBLIGATION IMPROVEMENT BONDS**
**SERIES 2006**

**AMENDED AND RESTATED RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF BONDS**

WHEREAS, pursuant to a Resolution of Intention entitled "County Improvement No. 2659-M (Shrode Avenue Sewer Project) Second Amended and Restated Resolution of Intention for the Construction of Sanitary Sewers," adopted on November 22, 2005 (the "Resolution of Intention") and proceedings taken pursuant thereto under and in accordance with the Municipal Improvement Act of 1913, as amended (the "Assessment Act"), being Division 12 (commencing with Section 10000) of the Streets and Highways Code of the State of California (the "State"), the Board of Supervisors (the "Board") of the County of Los Angeles (the "County") has determined that the public interest, necessity and convenience require and, pursuant to such determination, has ordered, the design and construction of a sanitary sewer system necessary to provide wastewater collection and conveyance to a project area generally located within the unincorporated area of the County adjacent to the Cities of Duarte and Irwindale; and

WHEREAS, as provided in the Resolution of Intention and in compliance with the provisions of Articles XIIIC and XIIID of the California Constitution and Proposition 218 Omnibus Implementation Act being Division 2, Part 1, Chapter 1, Article 4 (commencing with Section 53750) of the Government Code of the State, an assessment ballot and public hearing notice (the "Proposition 218 Ballots") were mailed to all property owners within the proposed boundaries of the assessment district; and

WHEREAS, the Proposition 218 Ballots of the property owners have been tabulated and it has been determined that the majority of ballots weighted by respective assessments are in favor of the assessments and the improvements; and

WHEREAS, an assessment of the costs and expenses of said improvements was duly made and filed, and a hearing was duly held thereon on November 22, 2005, and pursuant to its "Amended and Restated Resolution Confirming Assessment and Ordering Improvements Made," adopted on November 22, 2005, the Board duly confirmed such assessment and referred the assessment and diagram to the Director of Public Works with instructions that said Director duly sign and cause the same to be recorded in the Department of Public Works; and

WHEREAS, the Board also referred the assessment and diagram to the Clerk of the Board with instructions that said Clerk of the Board duly cause the same, together with a notice of assessment, to be recorded in the Office of the County Recorder; and

WHEREAS, the assessments will be duly levied upon the respective parcels of land in the assessment district; and

WHEREAS, it is necessary and desirable that the Board authorize the issuance and sale of bonds representing such unpaid assessments, generally designated as the "County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006" (the "Bonds"); and

WHEREAS, the Board determined, pursuant to Chapter 7 of the Assessment Act, that said Bonds will be issued pursuant to the Improvement Bond Act of 1911, as amended (the "Bond Act"), being Division 7 (commencing with Section 5000) of the Streets and Highway Code of the State; and

WHEREAS, there has been presented to the Board a form of Indenture, dated as of the date thereof (the "Indenture"), among the County, the County Treasurer and Tax Collector (the "Treasurer"), as paying agent, and the County Auditor-Controller, as fiscal agent, which contemplates that the Bonds will be issued as provided therein; and

WHEREAS, the Bonds are expected to be offered by a competitive sale; and

WHEREAS, in anticipation of the issuance of the Bonds, there has been presented to the Board a form of Official Notice Inviting Bids (the "Official Notice Inviting Bids") to facilitate potential purchasers to submit their bids as provided therein.

NOW, THEREFORE, THE BOARD RESOLVES AS FOLLOWS:

SECTION 1. Recitals Correct. The recitals set forth hereinabove are true and correct in all respects.

SECTION 2. Issuance of Bonds. The County hereby authorizes and approves the issuance of its County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006, pursuant to the Bond Act, the Resolution of Intention, this Resolution and other proceedings undertaken in connection therewith (collectively, the "Proceedings") and the Indenture authorized below. The Bonds shall be issued in the maximum aggregate principal amount of the unpaid assessments for the County Improvement No. 2659-M. The Bonds shall be offered publicly in a competitive sale.

SECTION 3. Form of Indenture. The Indenture is hereby approved substantially in the form presented to this Board and attached hereto and incorporated herein by this reference to the same extent and effect as if set forth in full, and the Mayor of the Board (or his duly authorized representative) is hereby authorized and directed for, in the name of and on behalf of the County to execute (by manual or facsimile signature) and to deliver the Indenture in substantially the form presented to this Board, with such additions, deletions and clarifications permitted by the Bond Act and the Proceedings, including the term of the Bonds (which shall extend over a period not exceeding 24 years from the second day of January next succeeding the next September 1st following their date) and the rate of interest to be borne by the Bonds (which shall not exceed 12.0% per annum), as the Treasurer, in his discretion, may approve as being in the best interests of the County, such approval to be conclusively evidenced by the execution and delivery of the Indenture.

SECTION 4. Form of Official Notice Inviting Bids. The Official Notice Inviting Bids is hereby approved substantially in the form presented to this Board and attached hereto, and the Executive Officer (or her authorized representative) is hereby authorized and directed for, in the name of and on behalf of the County, to execute (by manual or facsimile signature) and to deliver the Official Notice Inviting Bids with such additions, deletions and clarifications permitted by the Bond Act and the Proceedings and as the Executive Officer and the Treasurer (or their respective authorized representatives) may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. Based on the submitted bids, the Treasurer shall determine the bid with the best price for the Bonds resulting in the lowest true interest cost and award the Bonds to the winning bidder.

SECTION 5. Preparation of Official Statement. The draft preliminary Official Statement has been presented to this Board at this meeting and the Treasurer (or his authorized representative) is hereby authorized and directed to make such changes to the preliminary Official Statement for, in the name of and on behalf of the County, as determined appropriate and necessary. The Treasurer (or his authorized representative) is further authorized and directed to prepare and distribute or cause to be prepared and distributed the final Official Statement for, in the name of and on behalf of the County.

SECTION 6. Additional Acts. The officers of the County and their authorized representatives are, and each of them is, hereby authorized and directed to execute and deliver the Bonds and to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts necessary and proper to effectuate the purposes of this resolution or to carry out the transactions contemplated by and in accordance with the Proceedings, the Indenture, the Official Statement, the Official Notice Inviting Bids and the Notice of Intention to Sell Bonds and all actions heretofore taken by any of them with respect to the issuance and sale of the Bonds or in connection with or related to any of the agreements referenced herein are hereby approved, confirmed and ratified.

SECTION 7. Effective Date. This Resolution shall take effect on its passage and adoption.

The foregoing Resolution was on the _____ day of December, 2005 adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts for which said Board so acts.

By: VIOLET VARONA-LUKENS,
Executive Officer-Clerk
of the Board of Supervisors
of the County of Los Angeles

By: _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By: _____
Deputy

**OFFICIAL NOTICE INVITING BIDS**

**$[927,554]***
**COUNTY OF LOS ANGELES**
**COUNTY IMPROVEMENT NO. 2659-M**
**(SHRODE AVENUE SEWER PROJECT)**
**1911 ACT LIMITED OBLIGATION IMPROVEMENT BONDS**
**SERIES 2006**

**NOTICE IS HEREBY GIVEN** that proposals for the purchase of all but not less than all of not to exceed $[927,554]* County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006 (the "Bonds") will be accepted only through i-Deal's Parity® electronic bid submission system ("Parity"), as the approved electronic bidding system, as agent of the County of Los Angeles (the "County") in accordance with the terms of this Notice Inviting Bids. The bids will be received at the place and up to the time described below under the captions "Time" and "Submission of Bids."

**TIME:** Bids will not be accepted after 9:00 a.m., Pacific Time, on January 17, 2006 (subject to the provisions described below under the caption "Submission of Bids"), or at such later date and/or other time as shall be established by the County and communicated through Thomson Municipal News ("Thomson"). If no legal bid or bids are received for the Bonds on January 17, 2006 or if the sale date and/or time is postponed or rescheduled (or if no bids are received or the sale date is postponed to such other date as is communicated through Thomson), bids will be received at the same time and manner specified on such other date as shall be designated by the County and communicated through Thomson. Prospective bidders are urged to watch Thomson for any change in the terms of the sale or the date and time for the receipt of bids.

**SUBMISSION OF BIDS:** All bids must be submitted only through Parity. No other provider of interest bidding services and no other means of delivery (*i.e.*, telephone, telefax or physical delivery) will be accepted. The bids for such Bonds must be submitted by 9:00 a.m., Pacific Time, on January 17, 2006.

To bid via the Parity electronic bidding process, bidders must have requested and received admission to the County's auction, as described below. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. The use of Parity shall be at the bidder's risk, and neither the County nor Hawkins Delafield & Wood LLP, Bond Counsel to the County, shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate or untimely bid submitted by such bidder, including, without limitation, incomplete, inaccurate or untimely bids caused by reason of garbled transmissions, mechanical failure, slow or engaged telephone or telecommunications lines or any other cause. The County is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through Parity are the sole responsibility of the bidders and the County is not responsible for any of such costs or expenses.

In the event any provision of this Notice Inviting Bids conflicts with the Rules of Parity, this Notice Inviting Bids shall prevail.

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* Preliminary, subject to change.

The time as displayed on the Parity Auction Page shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Notice Inviting Bids.

Further information about Parity, including registration requirements, may be obtained from:

Parity®
1359 Broadway, 2nd Floor
New York, New York 10018,
Telephone: (212) 849-5021
Attention: Client Services

**AUTHORIZING LAW:** The Bonds will be issued under and pursuant to the resolution of the County, the Municipal Improvement Act of 1913, as amended (commencing with Section 10000 of the California Streets and Highways Code) (the "Assessment Act"), and the Improvement Bond Act of 1911, as amended (commencing with Section 5000 of the California Streets and Highways Code) (the "Bond Act").

**PURPOSE OF THE ISSUE:** The proceeds from the sale of the Bonds will be used to finance the design and construction of a sanitary sewers and related work (the "Improvements") within the unincorporated area of Los Angeles County in the vicinity of the Cities of Duarte and Irwindale designated as County Improvement No. 2659-M (the "Assessment District"). Construction of the Improvement, the levy and collection of the assessments, and the legal proceedings of the County relative thereto are undertaken pursuant to the Assessment Act.

**SECURITY:** The Bonds are secured by unpaid assessments which have been levied against certain real properties within the Assessment District (the "Assessments") in accordance with proceedings conducted by the County under the Assessment Act. Each Bond is secured by an unpaid assessment upon a lot or parcel of land, which unpaid assessment constitutes a lien upon the property affected thereby. Payment of principal and interest on such outstanding Assessments, together with interest and penalties, if any, on delinquent assessment payments will be deposited in a fund held by the County. See the preliminary Official Statement relating to the Bonds.

**GENERAL TERMS OF THE BONDS:** The Bonds will be serial Bonds issued in the aggregate principal amount of $[927,554]* and will be dated the date of issuance. Each Bond will bear interest at the rate of not to exceed nine percent (9%) per annum and shall be issued under the provisions of the Bond Act to represent each assessment of one hundred fifty dollars ($150) or more remaining unpaid for thirty days from the recordation date of the assessment as set forth on Schedule A hereto. The Bonds mature not later than January 2, 2021. Interest on the Bonds will be paid on each January 2 and July 2, commencing on July 2, 2006, by check or warrant to the registered owners of the Bonds as of the applicable Record Date. Payments on the principal of unpaid assessments and interest shall be made by property owners to the Treasurer and the same shall be disbursed by him to Bondholders, all as provided in the Bond Act. The redemption provision of the Bonds shall provide a premium of five percent (5%) of said unmatured principal. The principal of each Bond shall be payable in 20 equal installments on January 2 in each year commencing January 2, 2007.

The interest rate shall be the same for all Bonds and shall be in multiples of one hundredth (1/100) of one percent (1%). The principal and interest on the Bonds shall be payable in lawful money of the United States at the Treasurer of the County of Los Angeles, State of California.

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* Preliminary, subject to change.

**ADJUSTMENT OF PRINCIPAL AMOUNTS:** The principal amounts set forth in this Official Notice Inviting Bids reflect certain estimates of the County. The principal amortization schedule may be changed prior to the time bids are to be received and if adjustments are made, bidders must bid on the basis of the adjusted schedule. Such changes, if any, will be communicated by Thomson, not later than 10:00 a.m., Pacific Time, on the business day prior to the bid opening.

**REDEMPTION PRIOR TO MATURITY:** Any Bond will be subject to redemption in whole on any Interest Payment Date from amounts received by the County from the owner of the property to which such Bond relates pursuant to the exercise of such property owner's right to prepay his assessment. The redemption price of any Bond so redeemed will equal one hundred and five percent (105%) of the principal amount thereof. Pursuant to Section 6447 of the Bond Act, any property owner may, at any time, pay in full all installments of the assessment levied against his property by depositing with the Treasurer (i) the total amount of unpaid installments of the assessment, plus (ii) interest to the next succeeding January 2 or July 2, if such interest has not already been paid, plus (iii) all accrued and unpaid penalties, plus (iv) a premium equal to five percent (5%) of all unpaid installments of the assessment. See the preliminary Official Statement relating to the Bonds.

**INTEREST RATES:** Bidders must bid to purchase all and not part of the Bonds. Each interest rate bid must be a multiple of one hundredth (1/100) of one percent (1%). No Bond shall bear more than one interest rate. Each Bond must bear interest at the rate specified in the bid from its dated date to its fixed maturity date or until redeemed. Bidders should assume a dated date and a delivery date on the Bonds of January 24, 2006. The true interest cost on the Bonds may not exceed eight percent (8%). The bidder shall provide a calculation of the true interest cost which is considered informative only and not part of the bid.

**REOFFERING PRICE:** The successful bidder within one (1) hour after being notified of the award of the Bonds will be required to advise the County of the initial public offering price of the Bonds. The successful bidder will also be required, prior to delivery of the Bonds, to furnish to the County a certificate acceptable to Bond Counsel stating that (i) the successful bidder has made a bona fide public offering of the Bonds to the public at initial offering prices not greater than the price shown on the cover of the Official Statement and (ii) a substantial amount of the Bonds were sold to purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not greater than such offering prices.

**LIST OF MEMBERS ACCOUNT:** Bidders are requested to list on the bid submission the names of the members of the account on whose behalf the bid is made. The apparent winning bidder will be required to verify such list or to provide an updated list via facsimile prior to the award of the Bonds.

**SURETY BOND:** A good faith deposit (a "Deposit) in the form of a financial surety bond ("Surety Bond") in the amount of $75,000 must accompany each bid as a guarantee that the bidder, if successful, will accept and pay for said Bonds in accordance with the terms of the bid. A Surety Bond must be from Sure-Bid or guaranteed by such other insurance company licensed to issue such a bond in the State of California acceptable to the County; and to be payable to the order of the Treasurer to secure the County from any loss resulting from the failure of the bidder to comply with the terms of the bid. Each Surety Bond must identify the bidder whose Deposit is guaranteed by such Surety Bond.

The successful bidder is required to submit its Deposit to the Treasurer in the form of a wire transfer as instructed by the County not later than 12:00 noon (Pacific Time) on the next business day following the award. If such wire transfer is not received by that time, the Surety Bond may be drawn upon by the County to satisfy the Deposit requirement. The successful bidder's bid guarantee shall be retained by the County as liquidated damages in the event that successful bidder does not pay for the

Bonds at delivery. However, the County may seek to recover additional damages from the failure to pay for the Bonds if such damages result.

If a successful bidder completes its purchase of the Bonds on the terms stated in its bid, its Deposit will be applied to the purchase of the Bonds on the date of issuance of the Bonds. Interest earned on the Deposit will accrue solely to the benefit of the County.

**OFFICIAL STATEMENT:** The County will have prepared and will make available a preliminary Official Statement prior to the time for receipt of bids, although it is subject to revision, amendment and completion in a final Official Statement. The County will provide to the successful bidder such reasonable number of printed copies of the final Official Statement as such bidder may request. Copies of the Preliminary Official Statement are expected to be available on the Internet on or about January 6, 2006, at:

http://www.emerrill.com/investordocs2/merrill/gproj.asp?pid=1986

or by request made to Mr. Glenn Byers, Director of Public Finance, County of Los Angeles Treasurer and Tax Collector, 500 West Temple Street, Room 437, Los Angeles, California 90012, telephone: (213) 974-7175.

**RIGHT TO REJECT BIDS; WAIVE IRREGULARITIES:** The County reserves the right to reject any and all bids and, to the extent permitted by law, to waive any irregularity or informality in any bid.

**AWARDING OF BIDS:** The County will take action awarding or rejecting all bids not later than twenty-four (24) hours after the expiration of the time herein prescribed for the receipt of bids. The highest bidder shall be the bidder submitting the best price for the Bonds, resulting in the lowest true interest cost as determined for the County by the County of Los Angeles Treasurer and Tax Collector (the "Treasurer"), whose determination shall be binding and final absent manifest error. In case of tie bids, the awarding bidder will be determined by lot. In the event multiple bids are received from a single bidder, the County shall accept the best of such bids, and each bidder agrees by submitting any bid to be bound by its best bid.

**DELIVERY AND PAYMENT:** Delivery of the Bonds is expected to occur on or about January 24, 2006. The successful bidder shall pay for the Bonds on the date of delivery in Los Angeles in immediately available federal funds. Any expenses of providing federal funds shall be borne by the purchaser. Payment on the delivery date shall be made in an amount equal to the price bid for the Bonds, less the amount of the good faith check.

**CUSIP NUMBERS:** It is anticipated that CUSIP Numbers will be printed on the Bonds, but the County will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and make payment for the Bonds. The cost of obtaining and assigning CUSIP Numbers will be borne by the successful bidder.

**CALIFORNIA DEBT INVESTMENT AND ADVISORY COMMISSION FEE:** Pursuant to Section 8856 of the California Government Code, a fee must be paid to the California Debt and Investment Advisory Commission ("CDIAC") to cover the costs of its activities with respect to the Bonds. Liability for payment of such CDIAC fee will be borne by the successful bidder or bidders.

**CLOSING DOCUMENTS; LEGAL OPINIONS:** Each bid will be understood to be conditioned upon the County furnishing to each successful bidder, without charge, concurrently with payment for and delivery of the Bonds, the following closing documents and legal opinions, each dated as of the date of such delivery:

(a) Legal Opinion. The approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, substantially in the form attached to the Official Statement;

(b) Tax Certificate. A certificate of the County concerning certain federal income tax matters relating to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code");

(c) No Litigation Opinion. An opinion of County Counsel, solely in his or her official and not in his or her personal capacity, stating that such individual is not aware of any litigation threatened or pending affecting the validity of the Bonds or challenging any action of the County and stating further that the County is not aware of any pending or threatened litigation contesting its corporate existence or the title of the present corporate officers to their respective offices;

(d) Certificate regarding Official Statement. A certificate of an appropriate County Official, acting on behalf of the County, solely in his or her official and not in his or her personal capacity, stating that as of the date of the Official Statement pertaining to the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds to the initial purchasers thereof, the Official Statement together with any amendments thereto did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(e) Signature Certificate. A signature certificate of a responsible official of the County confirming to the successful bidder, the incumbency and authenticity of the official executing the Bonds and stating that he or she was not aware of any litigation threatened or pending affecting the validity of the Bonds.

**ADDITIONAL INFORMATION:** Requests for information concerning the County should be addressed to: Mr. Glenn Byers, Director of Public Finance, County of Los Angeles Treasurer and Tax Collector, 500 West Temple Street, Room 437, Los Angeles, California 90012, telephone: (213) 974-7175.

**RIGHT TO MODIFY OR AMEND:** The County reserves the right to modify or amend this Official Notice Inviting Bids, however, such modification or amendment shall be made not later than 10:00 a.m., Pacific Time, on the business day prior to the bid period and communicated through Thomson.

**POSTPONEMENT; REJECTION OF BIDS:** The County reserves the right to postpone, from time to time, the date established for receipt of bids. Any such postponement will be announced by Parity, not later than 10:00 a.m., Pacific Time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date will be announced via TM3 News Wire, at least twenty-four (24) hours prior to such alternative sale date. On any such alternative or subsequent sale date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of this Official Notice Inviting Bids, except for the date of sale and except for the changes announced via Thomson, at the time the sale date and time are announced.

Given by order of the Board of Supervisors of the County of Los Angeles, adopted on the 13th day of December, 2005.

Violet Varona-Lukens
Executive Officer-Clerk of the Board of
Supervisors of the County of Los Angeles

By: _____
Deputy

## Schedule A

| Assessment Number | Assessor Parcel Number | Original Principal Amount |
|---|---|---|
| 1 | 8521 012 001 | $14,339 |
| 2 | 8521 012 002 | 14,339 |
| 3 | 8521 012 045 | 14,339 |
| 4 | 8521 012 005 | 13,339 |
| 5 | 8521 012 006 | 14,339 |
| 6 | 8521 012 007 | 16,612 |
| 7 | 8521 012 008 | 16,612 |
| 8 | 8521 012 009 | 14,339 |
| 9 | 8521 012 010 | 14,692 |
| 10 | 8521 012 035 | 16,612 |
| 11 | 8521 012 042 | 16,612 |
| 12 | 8521 012 041 | 16,612 |
| 13 | 8521 012 012 | 16,612 |
| 14 | 8521 012 033 | 16,612 |
| 15 | 8521 012 043 | 20,877 |
| 16 | 8521 012 014 | 16,612 |
| 17 | 8521 012 031 | 16,612 |
| 18 | 8521 012 030 | 16,612 |
| 19 | 8521 012 015 | 16,612 |
| 20 | 8521 012 016 | 16,612 |
| 21 | 8521 012 029 | 16,612 |
| 22 | 8521 012 028 | 16,612 |
| 23 | 8521 012 017 | 16,612 |
| 24 | 8521 012 018 | 16,612 |
| 25 | 8521 012 019 | 16,612 |
| 26 | 8521 012 020 | 4,265 |
| 27 | 8534 004 030 | 14,339 |
| 28 | 8534 004 029 | 14,339 |
| 29 | 8534 004 028 | 14,339 |
| 30 | 8534 004 027 | 3,728 |
| 31 | 8534 004 026 | 14,339 |
| 32 | 8534 004 025 | 14,339 |
| 33 | 8534 004 024 | 14,339 |
| 34 | 8534 004 023 | 14,339 |
| 35 | 8534 004 022 | 14,339 |
| 36 | 8534 004 021 | 14,339 |
| 37 | 8534 004 020 | 14,339 |
| 38 | 8534 004 019 | 14,339 |
| 39 | 8534 004 063 | 14,339 |
| 40 | 8534 004 064 | 14,339 |

**Schedule A**
**(continued)**

| Assessment Number | Assessor Parcel Number | Original Principal Amount |
|---|---|---|
| 41 | 8534 004 016 | $ 3,728 |
| 42 | 8534 004 015 | 14,339 |
| 43 | 8534 004 014 | 14,339 |
| 44 | 8534 004 013 | 14,339 |
| 45 | 8534 004 062 | 14,339 |
| 46 | 8534 004 061 | 14,339 |
| 47 | 8534 004 060 | 14,339 |
| 48 | 8534 004 059 | 14,339 |
| 49 | 8534 004 056 | 14,339 |
| 50 | 8534 004 055 | 12,739 |
| 51 | 8534 004 054 | 14,339 |
| 52 | 8534 004 053 | 14,339 |
| 53 | 8534 004 052 | 14,339 |
| 54 | 8534 004 051 | 14,339 |
| 55 | 8534 004 050 | 14,189 |
| 56 | 8534 004 049 | 14,339 |
| 57 | 8534 004 046 | 14,339 |
| 58 | 8534 004 045 | 14,339 |
| 59 | 8534 004 044 | 14,339 |
| 60 | 8534 004 043 | 14,339 |
| 61 | 8534 004 042 | 14,339 |
| 62 | 8534 004 041 | 14,339 |
| 63 | 8534 004 040 | 14,339 |
| 64 | 8534 004 039 | 12,739 |

# INDENTURE

Dated as of January 1, 2006

by and among the

**COUNTY OF LOS ANGELES,**

**TREASURER AND TAX COLLECTOR**
**OF THE COUNTY OF LOS ANGELES,**
as the Paying Agent

and

**AUDITOR - CONTROLLER**
**OF THE COUNTY OF LOS ANGELES,**
as the Fiscal Agent

relating to the

**County of Los Angeles**
**County Improvement No. 2659-M**
**(Shrode Avenue Sewer Project)**
**1911 Act Limited Obligation Improvement Bonds**
**Series 2006**

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ARTICLE I

DEFINITIONS


Section 1.1. Definitions ..... 1
Section 1.2. Rules of Construction ..... 5
Section 1.3. Authorization ..... 5


ARTICLE II

THE BONDS


Section 2.1. Equality of Bonds; Pledge of Assessments Installment; Limited Liability ..... 5
Section 2.2. Description of Bonds; Interest Rates ..... 5
Section 2.3. Form of Bonds and Certificate of Authentication and Registration ..... 6
Section 2.4. Execution and Authentication ..... 6
Section 2.5. Registration of Exchange or Transfer ..... 6
Section 2.6. Mutilated, Lost, Destroyed or Stolen Bonds ..... 7
Section 2.7. Temporary Bonds ..... 7
Section 2.8. Bond Register ..... 7
Section 2.9. Unclaimed Money ..... 8
Section 2.10. Nonpresentment of Bonds ..... 8


ARTICLE III

REDEMPTION OF BONDS


Section 3.1. Redemption ..... 8
Section 3.2. Notice of Redemption ..... 8
Section 3.3. Effect of Notice and Availability of Redemption Price ..... 9


ARTICLE IV

FUNDS AND ACCOUNTS


Section 4.1. Funds and Accounts ..... 9
Section 4.2. Disposition of Bond Proceeds; Transfers of Funds ..... 10
Section 4.3. Improvement Fund ..... 10
Section 4.4. Redemption Fund ..... 10
Section 4.5. Rebate Fund. ..... 11
Section 4.6. Administrative Expense Fund ..... 12


ARTICLE V

INVESTMENTS


Section 5.1. Investments ..... 13

ARTICLE VI

COVENANTS


Section 6.1. Compliance with Indenture ..... 14
Section 6.2. Tax Covenants ..... 14
Section 6.3. General ..... 14
Section 6.4. Extension of Payment of Bonds ..... 14
Section 6.5. Protection of Rights ..... 14
Section 6.6. Completion of Project ..... 14
Section 6.7. Deferral of Assessments ..... 15
Section 6.8. Accounting Records and Statements ..... 15
Section 6.9. Covenant to Foreclose ..... 15


ARTICLE VII

PAYING AGENT AND FISCAL AGENT


Section 7.1. Paying Agent and Fiscal Agent ..... 15
Section 7.2. Liability of Paying Agent and Fiscal Agent ..... 15


ARTICLE VIII

DEFEASANCE


Section 8.1. Defeasance ..... 16


ARTICLE IX

SUPPLEMENTAL INDENTURES


Section 9.1. Supplemental Indenture Without Bondowner Consent ..... 17
Section 9.2. Supplemental Indenture With Bondowner Consent ..... 17
Section 9.3. Notice of Supplemental Indenture to Bondowners ..... 17


ARTICLE X

EVENTS OF DEFAULT; REMEDIES


Section 10.1. Events of Default ..... 18
Section 10.2. Remedies on Default ..... 18
Section 10.3. Non-Waiver ..... 19
Section 10.4. Remedies Not Exclusive ..... 19
Section 10.5. No Liability by the County to the Owners ..... 19


ARTICLE XI

MISCELLANEOUS


Section 11.1. Cancellation of Bonds ..... 19
Section 11.2. Execution of Documents and Proof of Ownership ..... 20

Section 11.3. Provisions Constitute Contract ..... 20
Section 11.4. Severability ..... 21
Section 11.5. Notice ..... 21
Section 11.6. Personal Liability ..... 21
Section 11.7. Counterparts ..... 21
Section 11.8. Headings ..... 21
Section 11.9. Governing Law ..... 22

EXHIBIT A: Form of Bond ..... A-1
EXHIBIT B: Payment Request Forms ..... B-1
EXHIBIT C: Bond Schedule ..... C-1

# INDENTURE

This Indenture (the "Indenture"), dated as of January 1, 2006, is executed by and among the County of Los Angeles (the "County"), a political subdivision of the State of California (the "State"), the Treasurer and Tax Collector of the County, as paying agent (the "Paying Agent") on behalf of the owners of the Bonds (as hereafter defined), and the Auditor-Controller of the County, as fiscal agent (the "Fiscal Agent") on behalf of the owners of the Bonds.

## WITNESSETH:

WHEREAS, the County has formed its County Improvement No. 2659-M (Shrode Avenue Sewer Project) (the "District") pursuant to proceedings taken under the Municipal Improvement Act of 1913, as amended (the "1913 Act"); and

WHEREAS, to finance the cost of improvements within the District, the County desires to cause the issuance of its County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006 (the "Bonds") to be repaid by the levy of assessments, all as provided in the Improvement Bond Act of 1911, as amended (the "1911 Act"); and

WHEREAS, to cause the issuance of its Bonds, the County Board of Supervisors adopted the "Amended and Restated Resolution Authorizing the Issuance and Sale of Bonds" on December 13, 2005 (the "Authorizing Resolution") authorizing the issuance of the Bonds; and

WHEREAS, the Authorizing Resolution authorizes the execution and delivery of this Indenture and further provides that the Bonds will be issued in such form and substance as provided in this Indenture.

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.1. Definitions**. Unless the context otherwise requires, the following terms shall have the following meanings in this Indenture:

"Act" means, collectively, the 1913 Act and the 1911 Act.

"Administrative Expenses" means the ordinary and necessary costs of administering the levy and collection of the Assessments and all other administrative costs and incidental expenses related to the Bonds, including, but not limited to, any annual audit fees, Paying Agent fees, Fiscal Agent fees, and fees incurred in connection with the calculation of arbitrage rebate due to the federal government and amounts payable to the federal government as arbitrage rebate, and such other costs as are paid or payable from amounts collected pursuant to Sections 8682, 8682.1 or 10312 of the California Streets and Highways Code, including but not limited to amounts collected pursuant to Section 7 of the Resolution of Intention.

"Assessment" means the assessment levied by the County constituting a lien and charge upon the real property within the District, including any reassessment of said real properties pursuant to

Section 10000 and 8705 of the California Streets and Highways Code, but excluding any administrative costs or other costs assessed or levied against such property pursuant to Section 8682, 8682.1 or 10312 of the California Streets and Highways Code.

"Assessment Installments" means the installments of principal, interest and premium, if any, to be paid on the unpaid Assessment by the owners of real property within the District.

"Auditor" means the Auditor-Controller of the County.

"Authorized Investments" means any legal investments of the District funds, including the Los Angeles County Treasury Pool.

"Authorized Representative of the County" means the Treasurer, the Auditor, the Director of Public Works or any other person designated by such officer and authorized to act on behalf of the County under or with respect to this Indenture and all other agreements related hereto.

"Board of Supervisors" means the Board of Supervisors for the County of Los Angeles.

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

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

"Bonds" mean, collectively, the County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006.

"Bond Year" means the period of twelve consecutive months ending on January 2 in any year during which Bonds are or will be Outstanding; provided, however, that the first Bond Year shall begin on the date of issuance of the Bonds and end on January 2, 2007 and the final Bond Year shall end on the date on which the Bonds are fully paid or redeemed.

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

"Certificate of Completion" means a notice filed with the Treasurer and the Fiscal Agent by the Director of Public Works stating the fact and date of completion or termination of the acquisition and construction of the Project and stating that all the costs of such acquisition and construction and equipment and expenses incidental thereto have been determined and paid (or that all such costs and expenses have been paid other than specified claims, including costs of acquisition of rights of way, which are subject to dispute and for which a retention in the Improvement Fund is to be maintained and the full amount of such claims until such dispute is resolved or that such costs represent fees, costs or indemnifications of the Treasurer, the Auditor, the Paying Agent or the Fiscal Agent).

"Code" means the Internal Revenue Code of 1986, as amended.

"Costs of Issuance" means all of the costs of issuing the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Bonds and any and all other agreements, instruments, certificates or other documents issued in connection therewith; legal fees and expenses of counsel with respect to the issuance of the Bonds; any computer and other expenses incurred in connection with the Bonds; the initial fees and expenses of the Fiscal Agent and the

Paying Agent, if any (including without limitation, origination fees and first annual fees payable in advance); and other fees and expenses incurred in connection with the issuance of the Bonds or the implementation of the financing for the Project to the extent such fees and expenses are approved by the County.

"County" means the County of Los Angeles, California.

"Defeasance Securities" means (1) cash, (2) non-callable direct obligations of the United States of America, including United States Treasury Obligations - State and Local Government Series ("SLGS") ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, or (4) pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's, respectively (or any combination thereof).

"Delivery Date" means the date of delivery of the Bonds.

"District" means the County Improvement No. 2659M (Shrode Avenue Sewer Project) of the County of Los Angeles as described in the Resolution of Formation.

"Event of Default" means any occurrence or event specified in and defined by Section 10.1 hereof.

"Fiscal Agent" means the Auditor, his designated agents and any third party contractor servicing as Fiscal Agent, and any of their successors and assigns.

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

"Indenture" means this Indenture, as amended or supplemented pursuant to the terms hereof.

"Information Services" means any of Financial Information, Inc.'s Financial Daily Called Bond Service, Kenny S&P Called Bond Service or Municipal and Government Called Bond Department; or, in accordance with then current guidelines of the U.S. Securities and Exchange Commission, such other services providing information with respect to called bonds, or no such services, as the County may indicate in a certificate of the County delivered to the Paying Agent.

"Interest Payment Date" means each January 2 and July 2, commencing on July 2, 2006.

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

(1) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Paying Agent pursuant to this Indenture;

(3) From and after the date fixed for redemption, Bonds or portions thereof designated for redemption for which notice of redemption has been duly given and the amount necessary for redemption has been made available for that purpose; and

(4) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have theretofore been deposited with the Paying Agent in accordance with Section 8.1 hereof (whether on or prior to the maturity or Redemption Date of such Bonds).

"Paying Agent" means the Treasurer and its designated agents and any third party contractor serving as Paying Agent, and any of their successors or assigns.

"Payment Request Form" means a payment request form to be used in connection with the payment of Costs of Issuance, Project Costs or Administrative Expenses substantially in the form of Exhibit B attached hereto.

"Principal Office" means the principal office of the Paying Agent located in Los Angeles, California.

"Principal Payment Date" means January 2 of each year commencing on January 2, 2007.

"Project" means the design and construction of a sanitary sewers and related work of improvement as more fully described in the Engineer's Report County Improvement No. 2659-M (Shrode Avenue Sewer Project) confirmed by the Board on November 22, 2005.

"Project Costs" mean all expenses of and incidental to the construction or acquisition of the Project, including Costs of Issuance but excluding annual ongoing Administrative Expenses paid from the Administrative Expense Fund.

"Rebate Amount" shall have the meaning given to such term in Section 4.5 hereof.

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

"Redemption Date" means, with respect to any Bond, the date on which such Bond has been called for redemption prior to its maturity date pursuant to the terms of this Indenture.

"Resolution of Formation" means the resolution entitled "County Improvement No. 2659-M Shrode Avenue Sewer Project for the Construction of Sanitary Sewers Amended and Restated Resolution Confirming Assessment and Ordering Improvements Made" adopted by the County Board of Supervisors on November 22, 2005, including any amendment thereto.

"Resolution of Intention" means the resolution entitled "County Improvement No. 2659-M (Shrode Avenue Sewer Project) Second Amended and Restated Resolution of Intention for the Construction of Sanitary Sewers" adopted by the County Board of Supervisors on November 22, 2005, including any amendment thereto and restatement thereof.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, New York, New York 10041, facsimile transmission: (212) 855-1000, (212) 855-7320, or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as may be designated by the County and delivered to the Paying Agent.

"State" means the State of California.

"Tax Certificate" means the Tax Certificate relating to the Bonds executed and delivered by the County on the Delivery Date.

"Treasurer" means the Treasurer and Tax Collector of the County.

**Section 1.2. Rules of Construction**. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

**Section 1.3. Authorization**. The parties executing this Indenture hereby represent and warrant that they have full legal authority and are duly empowered to execute this Indenture, and have taken all action necessary to authorize the execution and delivery of this Indenture.

## ARTICLE II

## THE BONDS

**Section 2.1. Equality of Bonds; Pledge of Assessments Installment; Limited Liability**. The County hereby pledges and assigns to the Paying Agent and the Fiscal Agent, as applicable, in trust for the protection and security of the Bondowners, all of its right, title and interest in the Assessment Installments and any foreclosure proceedings relating thereto, the proceeds of the sale of the Bonds and all other funds, accounts and sub-accounts (other than the Improvement Fund, the Administrative Expense Fund and the Rebate Fund) created hereunder for the payment of principal of, premium (if any) and interest on the Bonds. Pursuant to the Act and this Indenture, the Bonds shall be and are equally secured by a pledge of and lien upon the Assessment Installment and the amounts on deposit in aforementioned funds and accounts.

Neither the credit nor the taxing power of the County, the State or any political subdivision thereof is pledged for the payment of the Bonds or the interest thereon and, except as provided herein, no Owner of the Bonds may compel the exercise of any taxing power by the County or force the forfeiture of any of their respective property. The principal of, premium (if any) and interest on the Bonds are not a debt of the County, the State or any political subdivision thereof nor a legal or equitable pledge, charge, lien or encumbrance upon any of their respective property or upon any of their respective income, receipts or revenues, except the Assessment Installments. The Bonds and interest thereon are not payable from the general funds of the County.

Except for the collection of the Assessment Installments and the observance and performance of the other conditions, covenants and terms contained herein or in the Act required to be observed or performed by it, the County shall not have any obligation or liability to the Owners with respect to this Indenture or the Bonds.

**Section 2.2. Description of Bonds; Interest Rates**. The Bonds shall consist of such bonds designated generally as "County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds Series 2004." Under and pursuant to the Act, Bonds in the aggregate principal amount not to exceed $_____ shall be issued for the purposes of constructing, acquiring and completing the Project. The Bonds shall be dated the Delivery Date and shall be issued in fully registered form. One bond shall be issued to represent each unpaid Assessment in the amount of $150 or more. The Bond shall bear interest at the rate of ____ % per

annum. The principal of each Bond shall be payable in 20 equal installments on January 2 in each year commencing on January 2, 2007 as set forth in Exhibit C hereto.

Principal of, premium (if any) and interest on the Bonds shall be payable in lawful money of the United States of America. The principal of the Bonds and any premium due upon the redemption thereof shall be payable upon presentation and surrender thereof at maturity or earlier redemption at the Principal Office of the Paying Agent and interest on the Bonds shall be payable on the Interest Payment Date. Interest with respect to each Bond shall accrue from its Delivery Date. Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from such immediately succeeding Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the dated date of the Bonds; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or from the dated date of the Bonds if no interest has been paid or made available for payment. Interest on any Bond shall be paid by check, draft or warrant drawn by the Paying Agent and mailed by first class mail, postage prepaid, to the person whose name shall appear in the Bond Register as the Owner of such Bond as of the close of business on the Record Date at the address which appears on the Bond Register. Interest with respect to each Bond shall be computed using a year of 360 days comprised of twelve 30-day months.

**Section 2.3. Form of Bonds and Certificate of Authentication and Registration.** Except as otherwise provided in Section 2.7 hereof, the Bonds and certificate of authentication and registration shall be substantially in the form attached as Exhibit A to this Indenture.

**Section 2.4. Execution and Authentication.** The Bonds shall be executed by the manual or facsimile signature of the Treasurer and attested by the manual or facsimile signature of the Executive Officer-Clerk of the Board of Supervisors, and the seal of the County (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed have been authenticated and delivered by the Paying Agent (including new Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices.

The Bonds shall bear thereon a certificate of authentication and registration, in the form included in Exhibit A to this Indenture, executed manually by the Paying Agent. Only such Bonds as shall bear thereon such certificate of authentication and registration shall be entitled to any right or benefit under this Indenture, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication and registration shall have been duly executed by the Paying Agent.

**Section 2.5. Registration of Exchange or Transfer.** The registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent and duly executed by the Bondowner or his or her duly authorized attorney. Bonds may be exchanged at the Principal Office for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent may impose

a charge not to exceed ten dollars ($10) for any new Bond issued upon transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the Paying Agent shall authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount; provided that the Paying Agent shall not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

**Section 2.6. Mutilated, Lost, Destroyed or Stolen Bonds**. If any Bond shall become mutilated, the Paying Agent shall authenticate and deliver a new Bond of like tenor, date, maturity and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Paying Agent shall be canceled and delivered to or upon the order of the County. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence is satisfactory to the Paying Agent and, if an indemnity satisfactory to the Paying Agent shall be given, the Paying Agent shall authenticate and deliver a new Bond of like tenor and maturity, numbered and dated as the Paying Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to have been lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds secured hereby. The Paying Agent shall not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any Percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond to replace a Bond which has been mutilated, lost, destroyed or stolen, and which has matured or has been called for redemption, the Paying Agent may make payment with respect to such Bond upon receipt of indemnity satisfactory to the Paying Agent.

**Section 2.7. Temporary Bonds**. Any Bonds issued under this Indenture may be initially issued in temporary form exchangeable for definitive bonds. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the County and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed and sealed by the County and authenticated by the Paying Agent in substantially the same manner as provided in Section 2.4 hereof. If the County issues temporary Bonds it will have executed and will furnish definitive Bonds without delay and thereupon the temporary Bonds may be surrendered for cancellation at the Principal Office of the Paying Agent and the County shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of the same interest rates and maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds issued hereunder.

**Section 2.8. Bond Register**. The Bonds shall originally be registered as may be directed by the original purchasers of the Bonds. The Paying Agent will keep or cause to be kept, at the Principal Office, sufficient books for the registration and transfer of the Bonds and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred on the Bond Register, Bonds as herein provided.

The County and the Paying Agent may treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the County and the Paying Agent shall not be affected by any notice to the contrary. The County and the Paying Agent may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It

shall be the duty of each Bondowner to give written notice to the Paying Agent of any change in such Bondowner's address so that the Bond Register may be revised accordingly.

**Section 2.9. Unclaimed Money**. To the extent permitted by law, all money which the Paying Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held for the respective Owners of such Bonds, but any money which shall be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or redemption with respect to such Bonds shall have become due and payable shall be transferred to the County for deposit in the General Fund of the County; provided, however, that the Paying Agent, before making such payment, shall cause notice of unclaimed money to be mailed to the Owners of such Bonds, by first class mail, postage prepaid. Thereafter, the Owners of such Bonds shall look only to the General Fund of the County for payment and then only to the extent of the amount so received without any interest thereon.

**Section 2.10. Nonpresentment of Bonds**. Except as otherwise provided in Section 2.9 hereof, in the event any Bonds shall not be presented for payment when the principal or redemption price thereof becomes due, if funds sufficient to pay such Bonds shall be held by the Paying Agent for the benefit of the Owners thereof, all liability of the County to the Owners thereof shall forthwith cease and be completely discharged and thereupon it shall be the duty of the Paying Agent to hold such funds (subject to Section 2.9 hereof), without liability for interest thereon, for the benefit of the Owners of such Bonds, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on or with respect to such Bonds.

## ARTICLE III

## REDEMPTION OF BONDS

**Section 3.1. Redemption**. Any Bond shall be redeemed in whole prior to its final maturity on any Interest Payment Date from moneys on deposit and available for such purpose in the Redemption Fund from the source described in Section 6447 of the 1911 Act, at the redemption price described in Section 6447, which shall include a redemption premium equal to five percent (5%) of the unpaid principal amount of the Bond to be redeemed. In the event that the County redeems the Bonds as provided in this Section 3.1, the County shall give written notice to the Paying Agent of the redemption of such Bonds, the Redemption Date and the principal amount of Bonds to be redeemed. Such notice shall be given as soon as possible after receipt by the Treasurer of amounts to effect the redemption under the 1911 Act.

**Section 3.2. Notice of Redemption**. The Paying Agent shall give notice, at the expense of the County, of the redemption of the Bonds (i) by (A) first class mail, postage prepaid, (B) confirmed facsimile transmission, or (C) overnight delivery service, to the Owner of any Bond to be redeemed. Such Redemption Notice shall specify: (i) the Bonds which are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name and address of any redemption agent, (iv) the redemption price, and (v) the CUSIP numbers (if any) assigned to the Bonds to be redeemed. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable.

Neither the failure to receive any Redemption Notice nor any defect in such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation of interest on the Redemption Date.

**Section 3.3. Effect of Notice and Availability of Redemption Price**. Notice of redemption having been duly given, as provided in this Article III, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(1) The Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided herein;

(2) Upon presentation and surrender thereof at the Principal Office of the Paying Agent, such Bonds shall be redeemed at the redemption price;

(3) From and after the Redemption Date, the Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or portions thereof shall cease to bear further interest; and

(4) From and after the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of this Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the Redemption Date from the amounts so made available.

## ARTICLE IV

## FUNDS AND ACCOUNTS

**Section 4.1. Funds and Accounts**. The following funds and accounts are hereby created and established and shall be maintained by the Fiscal Agent for the administration and control of the proceeds of the Bonds, the Assessment Installments and any related moneys:

(1) County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006 Improvement Fund (the "Improvement Fund"), within which there shall be the Cash Proceeds Account and the Bond Proceeds Account;

(2) County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006 Redemption Fund (the "Redemption Fund");

(3) County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006 Rebate Fund (the "Rebate Fund"); and

(4) County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006 Administrative Expense Fund (the "Administrative Expense Fund").

Pursuant to the Tax Certificate, and upon the issuance of the Bonds, the funds and accounts established herein may be subdivided into sub-accounts to perform the necessary rebate calculations or to administer the funds as provided in this Indenture.

**Section 4.2. Disposition of Bond Proceeds; Transfers of Funds.** The proceeds of the sale of the Bonds shall be received by the Fiscal Agent and deposited in the Bond Proceeds Account within the Improvement Fund.

**Section 4.3. Improvement Fund.** The County hereby agrees to maintain the Improvement Fund until the completion of the construction and acquisition of the Project. All moneys on deposit in the Improvement Fund shall be held by or on behalf of the County in trust and shall be applied for the payment of Project Costs and expenses incidental thereto, including the payment of the Costs of Issuance and the fees, costs and expenses of the Paying Agent and the Fiscal Agent incurred prior to the completion of the Project.

All cash payments of Assessments made by owners of property in the District prior to the issuance of the Bonds shall be deposited by the Treasurer and held by the Fiscal Agent in the Cash Proceeds Account of the Improvement Fund. All moneys deposited in the Improvement Fund constituting proceeds of the sale of the Bonds, shall be deposited and held by the Fiscal Agent in the Bond Proceeds Account of the Improvement Fund.

Amounts on deposit in the Improvement Fund shall be applied by the Fiscal Agent to the payment of Project Costs, including Costs of Issuance, upon receipt of and in accordance with a properly submitted Payment Request Form in substantially the form of Exhibit B hereto duly executed by an Authorized Representative of the County. The Fiscal Agent shall first apply and expend moneys on deposit in the Bond Proceeds Account. Amounts on deposit in the Cash Proceeds Account shall be applied and expended only if there are no available amounts in the Bond Proceeds Account.

Upon the earlier of completion of the Project or a determination by the County in its sole discretion to terminate construction and acquisition of the Project, the Director of Public Works shall deliver to the Treasurer and the Fiscal Agent a Certificate of Completion. Upon the delivery of such Certificate of Completion, any balance in the Improvement Fund (less the amount of any retention or fees, costs or indemnifications indicated in the Certificate) shall be applied in accordance with Section 7 of the Resolution of Intention.

**Section 4.4. Redemption Fund.** The County hereby agrees to maintain the Redemption Fund with the Fiscal Agent until all payments of principal of and premium (if any) and interest on the Bonds have been made and all of the Bonds have been paid or redeemed.

All sums received by the County from the collection of Assessment Installments, including any prepayments of the Assessment Installments, any redemption period interest and penalties thereon and the proceeds of the exercise of any of the remedies for delinquent payments available hereunder or under the 1913 Act or the 1911 Act, shall be deposited and held in the Redemption Fund. Any sums received by the County from the collection of Assessment Installments in excess of the amounts required for the payment of Administrative Expenses and, principal of, premium, if any, and interest on the Bonds, shall be applied as a credit to the next related Assessment Installment. On each Interest Payment Date and each Principal Payment Date, the Paying Agent shall make payments of interest, premium, if any, and principal, respectively, due and payable with respect to the related Bonds from moneys which shall be transferred to it by the Fiscal Agent on or before such date from the Redemption Fund. Amounts relating to the prepayments of Assessment Installments shall be transferred by the Fiscal Agent to the Paying Agent for redemption of the related Bonds on the first Interest Payment Date following such prepayments, in accordance with this Indenture and the Act.

Promptly following each January 2 beginning on the first Principal Payment Date, all moneys in the Redemption Fund with respect to any Bond to be applied as a credit to the next installment

or in excess of the amount necessary to make the payments of principal of and interest on the Bonds then due or overdue and payable on such date (assuming the Owners entitled to payment on or before such date takes or has taken any and all actions necessary on his or her part to receive amounts due him or her) shall be transferred by the Fiscal Agent (i) prior to the filing of the Certificate of Completion, to the Cash Proceeds Account of the Improvement Fund for application in accordance with Section 4.3 hereof, and (ii) following the filing of the Certificate of Completion, to the Administrative Expense Fund for application in accordance with Section 4.6 hereof.

**Section 4.5. Rebate Fund.**

(a) ***Establishment.*** The Fiscal Agent shall establish a separate account for the Bonds designated the "Rebate Fund." Within the Rebate Fund, the Fiscal Agent shall maintain such other accounts as it is instructed by the County as shall be necessary in order to comply with the terms and requirements of the Tax Certificate. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the County shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. Subject to the transfer provisions provided in Subsections (a)(iii) and (b) below, all money at any time deposited in the Rebate Fund shall be held by the Fiscal Agent in trust for payment to the United States Treasury, and no other person shall have any rights in or claim to such money. All amounts on deposit in the Rebate Fund for the Bonds shall be governed by this Section and the Tax Certificate for the Bonds, unless and to the extent that the County delivers to the Fiscal Agent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. The Fiscal Agent shall be deemed conclusively to have complied with such provisions if it follows the directions of the County including supplying all necessary information in the manner provided in the Tax Certificate, shall not be required to take any actions thereunder, in the absence of written directions by the County, and shall have no liability or responsibility to enforce compliance by the County with the terms of the Tax Certificate. The Fiscal Agent shall have no responsibility to make any independent calculations or determinations or to review the County's calculations hereunder.

(i) Annual Computation. Prior to completion of the Project, within 55 days of the end of each Bond Year, and following completion of the Project, within 55 days of the end of each fifth Bond Year, the County shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code or Section 1.148-7(d) of the Treasury Regulations), the and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The County shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Prior to completion of the Project, within 55 days of the end of each Bond Year, and following completion of the Project, within 55 days of the end of each fifth Bond Year, upon the written request of the County an amount shall be deposited to the Rebate Fund by the Fiscal Agent from deposits by the County, if and to the extent required, so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (a). In the event that immediately following the transfer required by the previous sentence, the

amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written request of the County, the Fiscal Agent shall withdraw the excess from the Rebate Fund and then credit the excess to the Redemption Fund.

(iii) Payment to the Treasury. The Fiscal Agent shall pay, as directed by request of the County, to the United States Treasury, out of amounts in the Rebate Fund,

(1) not later than 60 days after the end of (X) the fifth Bond Year, and (Y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(2) not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the date of such payment and any income attributable to the Rebatable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the County shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a) shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(b) ***Disposition of Unexpended Funds.*** Any funds remaining in the Rebate Fund after redemption and payment in full of the Bonds and the payments described in Subsection (a)(iii) above being made may be withdrawn by the County and utilized in any manner by the County.

(c) ***Survival of Defeasance.*** Notwithstanding anything in this Section to the contrary, the obligation the obligation to remit the Rebatable Arbitrage to the United States and to comply with the requirements of this Section, Section 5.11 hereof and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

(d) ***Recordkeeping.*** The County shall retain records of all determinations made hereunder until six years after the complete retirement of the Bonds.

(e) ***Investment of Amounts in Rebate Fund.*** The Fiscal Agent shall invest all amounts held in the Rebate Fund in eligible securities as instructed in writing by the County and shall otherwise hold such moneys uninvested, and the County shall be responsible for such instructions complying with the Tax Certificate. Money shall not be transferred from the Rebate Fund except as provided in Subsections (a)(iii) and (b) above.

**Section 4.6. Administrative Expense Fund**. The County hereby agrees to maintain the Administrative Expense Fund until all of the Bonds have been paid or retired. All amounts received by the County for Administrative Expenses pursuant to Sections 10204(f) and 10312(b) of the 1913 Act, or otherwise, shall be deposited in the Administrative Expense Fund. The first money received by the

Treasurer with respect to each parcel in each fiscal year up to the amount levied pursuant to Section 10312(b) of the 1913 Act shall be deemed in satisfaction of such assessment for Administrative Expenses and shall be transferred to the Fiscal Agent for deposit in the Administrative Expense Fund.

On each June 30 amounts on deposit in the Administrative Expense Fund in excess of the Administrative Expenses expected to be incurred through the next succeeding Fiscal Year may be applied as a credit upon the assessment levied for the upcoming Fiscal Year for Administrative Expenses pursuant the 1913 Act.

Amounts on deposit in the Administrative Expense Fund shall be applied by the Fiscal Agent to the payment of Administrative Expenses upon receipt of and in accordance with properly submitted Administrative Expense Payment Request Forms in substantially the form of Exhibit B attached hereto, duly executed by an Authorized Representative of the County. Administrative Expenses shall be paid directly to the person, corporation or entity entitled to payment hereunder and named as a Payee on the Administrative Expense Payment Request Form. Notwithstanding anything herein to the contrary, the Fiscal Agent may rely on an executed Administrative Expense Payment Request Form as complete authorization for any payments. Any surplus remaining in the Administrative Expense Fund after payment or provision for payment of all Administrative Expenses incurred or expected to be incurred through and including the date of final payment in full of the Bonds may be transferred to the general fund of the County.

## ARTICLE V

## INVESTMENTS

**Section 5.1. Investments**. Obligations purchased as investments of moneys in any fund or account in which investments are authorized shall be deemed at all times to be a part of such fund or account. Earnings on the investment of moneys on deposit in any fund or account established pursuant to this Indenture shall be credited to such fund or account and any loss or expenses resulting from such investment shall be charged thereto. Subject to the restrictions set forth herein, moneys in said funds and accounts may be from time to time invested by the Treasurer at the written direction of an Authorized Representative of the County, or if no such written direction is given, in any manner the Fiscal Agent deems appropriate, in Authorized Investments so long as:

(a) Moneys in the Improvement Fund shall be invested in obligations which will by their terms mature as close as practicable to the date the County estimates the moneys represented by the particular investment will be needed for withdrawal from the Improvement Fund;

(b) Moneys in the Administrative Expense Fund shall be invested in obligations which will by their terms mature no later than the date on which moneys must be available to meet scheduled payments of Administrative Expenses; and

(c) Moneys in the Redemption Fund shall be invested only in obligations which will by their terms mature on such dates so as to ensure the timely payment of principal and interest on the Bonds as the same become due.

Subject to the restrictions set forth in Section 6.2 hereof, the Treasurer shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so to provide moneys to meet any payment or transfer for such funds and accounts or from such funds and accounts. For the purpose of determining at any given time the balance in any fund or account, any such investments constituting a part of such fund and account shall be valued at their

original cost. Notwithstanding anything herein to the contrary, the Treasurer shall not be responsible for any loss from any investments authorized pursuant to this Indenture.

## ARTICLE VI

## COVENANTS

**Section 6.1. Compliance with Indenture**. The County will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture required to be observed or performed by it.

**Section 6.2. Tax Covenants.** The County covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and the County agrees to comply with the Tax Certificate in order to maintain the exclusion from gross income for Federal income tax purposes of the interest on the Bonds. The Fiscal Agent and the Paying Agent each hereby agrees to comply with any written instructions received from the County which the County indicates must be followed to comply with the Tax Certificate. This covenant shall survive the payment, redemption or defeasance of the Bonds.

**Section 6.3. General**. The County shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the County under the provisions of this Indenture. The County warrants that upon the date of execution and delivery of the Bonds, all conditions, acts and things required by law and this Indenture to exist, to have happened and to have been performed precedent to and in the execution and delivery of such Bonds do exist, have happened and have been performed and the execution and delivery of the Bonds shall comply in all respects with the applicable laws of the State.

**Section 6.4. Extension of Payment of Bonds**. The County shall not directly or indirectly extend the maturity dates of the Bonds or the time of payment of interest with respect thereto. Nothing herein shall be deemed to limit the right of the County to issue any securities for the purpose of providing funds for the redemption of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

**Section 6.5. Protection of Rights**. The County will preserve and protect the security of the Bonds and the rights of the Owners against all claims and demands of all persons, and will faithfully perform and abide by all of the covenants, undertakings and provisions contained in this Indenture or in any Bond issued pursuant to this Indenture and will contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the County that (i) the Act or the Law is unconstitutional, (ii) the Assessments are invalid, or (iii) the Assessments cannot be applied by the County to pay debt service on the Bonds, or (b) any other action affecting the validity of the Bonds or diluting the security therefor, or (c) any assertion by the United States of America or any department or agency thereof or any other person that the interest received by the Bondholders is includable in gross income for federal income tax purposes, to the extent there are Assessments available for such purposes.

**Section 6.6. Completion of Project**. The County shall diligently carry out and continue to completion with all practical dispatch the construction and/or acquisition of the Project in accordance with the 1913 Act and 1911 Act, but only to the extent of available Assessments, and will not amend the Project in any manner which would substantially impair the security of the Bonds or the rights of the Owners.

**Section 6.7. Deferral of Assessments**. The County shall not directly or indirectly extend or defer the payment of any Assessment Installment.

**Section 6.8. Accounting Records and Statements**. The County will keep or cause to be kept proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Assessment Installments, and such accounting records shall be available for inspection upon five (5) business days' written notice by any Owner or such Owner's agent duly authorized in writing at reasonable hours and under reasonable conditions.

**Section 6.9. Covenant to Foreclose**. The County will initiate procedures to determine or cause to be determined if any Assessment was not paid when due during the fiscal year ended the prior June 30. The County shall upon the written request of the related Bondowner pursuant to Section 6500 of the California Streets and Highways Code order and cause to be commenced, and thereafter prosecute to completion pursuant to the Act, judicial foreclosure proceedings upon the lien of delinquent unpaid assessments.

## ARTICLE VII

## PAYING AGENT AND FISCAL AGENT

**Section 7.1. Paying Agent and Fiscal Agent**. The County hereby appoints the Treasurer of the County, or his designated agents, as the Paying Agent and the Auditor of the County, or his designated agents, as the Fiscal Agent for the Bonds.

The Paying Agent is hereby authorized to and shall mail interest payments to the Bondowners, select Bonds for redemption, give notice of redemption and maintain the Bond Register. The Paying Agent is hereby authorized to and shall pay, from funds on deposit for such purposes hereunder, the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, provide for the registration of transfer and exchange of Bonds presented to it for such purposes, provide for the cancellation of Bonds all as provided in this Indenture, and provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Indenture. The Paying Agent shall keep accurate records of all Bonds paid and discharged by it.

The Fiscal Agent is hereby authorized to and shall maintain and administer funds and accounts established pursuant to Section 4.1 hereof. The Fiscal Agent shall keep accurate records of all funds administered by it. The County further authorizes and designates the Auditor to perform those functions of the Fiscal Agent set forth herein which, pursuant to the 1911 Act, are to be performed by the treasurer.

Each of the initially appointed Paying Agent and Fiscal Agent may contract with any third party to perform any or all of their obligations and duties under this Indenture. The Paying Agent and Fiscal Agent may each be removed by the County and a successor or successors may be appointed. So long as any Bonds are Outstanding and unpaid, the Paying Agent, the Fiscal Agent and any successor or successors thereto designated by the County shall continue to be Paying Agent and Fiscal Agent, respectively, of the County for all of said purposes until the designation of a successor or successors.

**Section 7.2. Liability of Paying Agent and Fiscal Agent**. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds shall be taken as statements, promises, covenants and agreements of the County, and the Paying Agent and the Fiscal Agent assume no

responsibility for the correctness of the same and make no representations as to the validity or sufficiency of this Indenture or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations set forth herein or in the Bonds or in the certificate of authentication and registration assigned to or imposed upon the Paying Agent or Fiscal Agent, as applicable. The Paying Agent shall be under no responsibility or duty with respect to the issuance of the Bonds for value. Neither the Paying Agent nor Fiscal Agent shall be liable in connection with the performance of their respective duties hereunder, except for their respective negligence or default.

## ARTICLE VIII

## DEFEASANCE

**Section 8.1. Defeasance**. If the County shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds the interest due thereon, the principal thereof, and any premium due thereon at the times and in the manner stipulated therein and in this Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of Assessment Installment and all covenants, agreements and other obligations of the County to the Owners of such Bonds under this Indenture shall thereupon cease, terminate and become discharged and satisfied, except the County's obligations to comply with the tax covenants contained in Section 6.2 hereof. In the event that all Outstanding Bonds are defeased in accordance with this Section 8.1, the Fiscal Agent and the Paying Agent, as appropriate, shall execute and deliver to the County such instruments as may be desirable to evidence the discharge and satisfaction by the County of its obligations hereunder, and the Fiscal Agent and the Paying Agent, as appropriate, shall pay over or deliver to the County all money or securities held by them pursuant to this Indenture which are not required for the payment of the interest due on, the principal of, and any premium due on such Bonds.

Bonds for the payment of which money shall have been set aside (through deposit by the County or otherwise) to be held in trust by the Paying Agent for such payment at the maturity date thereof shall be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in the first paragraph of this Section 8.1.

Any Outstanding Bond shall prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section 8.1 if (1) there shall have been deposited with the Paying Agent either money in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay when due the interest due and to become due on such Bond on and prior to the applicable maturity or Redemption Date thereof, the principal of such Bond on such maturity or Redemption Date, as applicable, and any premium payable in connection with the redemption prior to maturity of such Bond, (2) the County shall have given the Paying Agent in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owner of such Bond that the deposit required by (1) above has been made with the Paying Agent and that such Bond is deemed to have been paid in accordance with this Section 8.1 and stating the maturity or Redemption Date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond, (3) the County shall have entered into an escrow deposit agreement and (4) there shall be delivered to the Fiscal Agent and the County an opinion of nationally recognized bond counsel to the effect that such Bond is no longer Outstanding under this Indenture. The sufficiency of any such deposit, other than money alone, must be verified by the report of an independent firm of nationally recognized certified public accountants.

Neither Defeasance Securities nor money deposited with the Paying Agent pursuant to this Section 8.1 nor interest or principal payments on any such Defeasance Securities shall be withdrawn

or used for any purpose other than, and shall be held in trust for, the payment of the interest on, principal of, and premium, if any, on such Bonds. For the purposes of this section, Defeasance Securities shall mean and include only such securities as are not subject to redemption prior to their maturity.

## ARTICLE IX

## SUPPLEMENTAL INDENTURES

**Section 9.1.** **Supplemental Indenture Without Bondowner Consent.** The County, the Paying Agent and the Fiscal Agent may from time to time, and at any time, without notice to or consent of any of the Bondowners, enter into such indentures or agreements supplemental hereto as shall not be inconsistent with the terms and provisions hereof (which supplemental indentures or agreements shall thereafter form a part hereof) for any of the following purposes:

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

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

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

**Section 9.2.** **Supplemental Indenture With Bondowner Consent.** Exclusive of the supplemental indentures covered by Section 9.1, the owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the execution of such supplemental indentures as shall be deemed necessary or desirable for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture or agreement; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the scheduled date of principal payments on any Bond, or the payment date of interest on, any Bond, without the consent of the owner of such Bond, (b) a reduction in the principal amount of, or redemption price of, any Bond or the rate of interest there on, without the consent of the owner of such Bond, or (c) a reduction in the aggregate principal amount of the Bonds the owners of which are required to consent to such supplemental indenture, without the consent of the owners of all Bonds then Outstanding. In no event, however, may a modification or amendment provide for the issuance of additional Bonds, notes or other evidences of indebtedness payable out of the Assessment Installments. Nothing herein contained, however, shall be construed as making necessary the approval by Bondowners of the execution of any supplemental indentures or agreements.

**Section 9.3.** **Notice of Supplemental Indenture to Bondowners.** If at any time the parties hereto shall desire to enter into an indenture supplemental hereto, which pursuant to Section 9.2 shall require the consent of the Bondowners, the County shall so notify the Paying Agent and shall deliver to the Paying Agent a copy of the proposed supplemental indenture and the notice to be provided to the Bondowners. The Paying Agent shall, at the expense of the County, cause notice of the proposed supplemental indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed supplemental

indenture and shall state that a copy thereof is on file at the Principal Office for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such supplemental indenture when consented to and approved as in Section 9.2 provided. Whenever at any time within one year after the date of the first mailing of such notice, the Paying Agent shall receive an instrument or instruments purporting to be executed by the owners of any less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental indenture described in such notice, and shall specifically consent to and approve it substantially in the form of the copy thereof referred to in such notice as on file with the Paying Agent, such proposed supplemental indenture, when duly executed by the parties hereto, shall thereafter become a part of the proceedings for the issuance of the Bonds as referred to in Section 11.3 hereof. In determining whether the Owners of the requisite aggregate principal amount of the Bonds have consented to the adoption of any supplemental indenture, Bonds which are owned by the County or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the County shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the execution and delivery of any indenture supplemental hereto and the receipt of consent to any such supplemental indenture from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of this Section 9.3, this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the County, the Fiscal Agent and the Paying Agent and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

## ARTICLE X

## EVENTS OF DEFAULT; REMEDIES

**Section 10.1. Events of Default**. Any one or more of the following events shall constitute an "Event of Default":

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) Default by the County in the observance of any of the agreements, conditions or covenants on its part in this Indenture or in the Bonds contained (other than a payment default referred to in subparagraphs (a) and (b) above), and the continuation of such default for a period of 30 days after the County shall have been given notice in writing of such default by the Fiscal Agent; provided that if within 30 days the County has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated.

**Section 10.2. Remedies on Default.** (a) If any installment of principal or interest on any Bond is not paid when due, the owner of such Bond shall have the right to exercise such rights and remedies as are provided to such owner under the 1911 Act or under other applicable law.

(b) In the event of an Event of Default under Section 10.1 hereof, the Owners of a majority in aggregate principal amount of Outstanding Bonds may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under this Indenture; but only if such owners have first made written request of the County after the right to exercise such powers or right of action shall have occurred, and shall have afforded the County a reasonable opportunity either to proceed to exercise the powers granted herein or granted under law or to institute such action, suit or proceeding in its name and unless also, the County shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the County shall have refused or neglected to comply with such request within a reasonable time.

**Section 10.3. Non-Waiver**. A waiver of any default hereunder or breach of any obligation by the County hereunder shall not affect any subsequent default hereunder or any subsequent breach of an obligation by the County hereunder or impair any rights or remedies on any such subsequent default hereunder or breach of an obligation by the County hereunder. No delay or omission by the County to exercise any right or remedy accruing upon any default hereunder shall impair any such right or remedy or shall be construed to be a waiver of any such default hereunder or an acquiescence therein, and every right or remedy conferred upon the County by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the County.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the County, the County shall be restored to its former position, rights and remedies as if such action, proceeding or suit had not been brought or taken.

**Section 10.4. Remedies Not Exclusive**. No remedy conferred herein upon or reserved herein to the County is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

**Section 10.5. No Liability by the County to the Owners**. Except for the collection of the Assessment Installments and the observance and performance of the other conditions, covenants and terms contained herein or in the Act required to be observed or performed by it, the County shall not have any obligation or liability to the Owners with respect to this Indenture or the preparation, authentication, delivery, transfer, exchange or cancellation of the Bonds. Pursuant to the Resolution of Intention relating to these proceedings, the County has determined that no funds of the County will be available to pay principal of, premium, if any, or interest on the Bonds. The County has determined that pursuant to the Act, the County will not obligate itself to advance available funds from the County's treasury to cure any deficiency which may occur in the Redemption Fund.

## ARTICLE XI

## MISCELLANEOUS

**Section 11.1. Cancellation of Bonds**. All Bonds surrendered to the Paying Agent for payment upon maturity or redemption shall upon payment therefor be canceled immediately and forthwith transmitted to or upon the order of the County. Any Bond purchased by the County as authorized herein shall be delivered to the Paying Agent and canceled forthwith and shall not be reissued. All of the canceled Bonds shall be transferred to and shall remain in the custody of the Paying Agent until destroyed by the Paying Agent pursuant to due authorization.

**Section 11.2. Execution of Documents and Proof of Ownership**. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds shall be sufficient for the purposes of this Indenture (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his or her authority.

(b) As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums so paid. The Paying Agent shall not be affected by any notice to the contrary.

Nothing in this Indenture shall be construed as limiting the Paying Agent to such proof, it being intended that the Paying Agent may accept any other evidence of the matters herein stated which the Paying Agent may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Paying Agent in pursuance of such request or consent.

**Section 11.3. Provisions Constitute Contract**. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the County and the Owners from time to time of the Bonds; and the pledge made in this Indenture and the covenants and agreements herein set forth to be performed on behalf of the County shall be for the equal benefit, protection and security of the owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by this Indenture.

No remedy conferred hereby upon any Bondowner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law of the State. No waiver of any default or breach of duty or contract by any Bondowner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondowners may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Bondowner shall prevail, said Bondowner shall be entitled to receive from the Redemption Fund reimbursement for reasonable costs, expenses, outlays and attorney's fees and should said suit, action or

proceeding be abandoned, or be determined adversely to the Bondowners then, and in every such case, the District and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

**Section 11.4. Severability**. If any covenant, agreement or provision, or any portion thereof, contained in this Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Indenture and the Bonds issued pursuant hereto shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under this Indenture and the Constitution and laws of the State.

**Section 11.5. Notice**. Any notice, demand, direction, request or other instrument authorized or required by this Indenture to be given to or filed with the County, the Paying Agent or the Fiscal Agent shall be deemed to have been sufficiently given or filed for all purposes of this Indenture if and when delivered to or sent by certified mail, return receipt requested to:

| | |
|---|---|
| County: | County of Los Angeles<br>500 West Temple Street, Room 437<br>Los Angeles, California<br>Attention: Treasurer and Tax Collector |
| Fiscal Agent: | County of Los Angeles<br>500 West Temple Street, Room 603<br>Los Angeles, California<br>Attention: Auditor-Controller |
| Paying Agent: | County of Los Angeles<br>500 West Temple Street, Room 437<br>Los Angeles, California<br>Attention: Treasurer and Tax Collector |

All documents received by the Fiscal Agent or the Paying Agent under the provisions of this Indenture shall be retained in its possession, subject at all reasonable times to the inspection of the County, any Bondowner, and the agents and representatives thereof.

**Section 11.6. Personal Liability**. The County or any officer, agent or employee thereof, shall not be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such entity, officer, agent or employee from the performance of any official duty provided by law.

**Section 11.7. Counterparts**. This Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

**Section 11.8. Headings**. Any headings preceding the texts of the several Articles hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

**Section 11.9. Governing Law**. All provisions of this Indenture are to be governed by the laws of the State.

IN WITNESS WHEREOF, the parties have executed this Indenture effective as of the date first above written.

COUNTY OF LOS ANGELES

By: _____
Mayor, Board of Supervisors

ATTEST;

VIOLET VARONA-LUKENS
EXECUTIVE OFFICER-CLERK
OF THE BOARD OF SUPERVISORS

By: _____
Deputy

TREASURER AND TAX COLLECTOR OF THE COUNTY OF LOS ANGELES

By: _____
Mark J. Saladino

Approved as to form

Raymond G. Fortner, Jr.
COUNTY COUNSEL

By: _____

Principal Deputy County Counsel

AUDITOR-CONTROLLER OF THE COUNTY OF LOS ANGELES

By: _____
J. Tyler McCauley

**EXHIBIT A**

**FORM OF BOND**

Registered No. ___ $_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

**COUNTY OF LOS ANGELES**
**COUNTY IMPROVEMENT NO. 2659-M**
**(SHRODE AVENUE SEWER PROJECT)**
**1911 ACT LIMITED OBLIGATION IMPROVEMENT BONDS**
**SERIES 2006**

| INTEREST RATE | MATURITY DATE | BOND DATE | CUSIP NO. |
|---|---|---|---|

REGISTERED OWNER:

PRINCIPAL AMOUNT:

Under and by virtue of the Improvement Act of 1911 (Part 5 of Division 7 of the Streets and Highways Code) (the "Code"), the Paying Agent, out of the fund for the above designated improvement bonds (the "Bonds"), will pay to the Registered Owner named above, the sum of _____ dollars ($_____) with interest at the rate of _____ percent per annum, all as is hereinafter specified, and at the office of the Treasurer and Tax Collector of the County of Los Angeles, State of California.

This Bond is issued pursuant to the Indenture dated January 1, 2006 (the "Indenture"), executed by the County of Los Angeles, the Treasurer and Tax Collector of the County of Los Angeles, as Paying Agent, and the Auditor-Controller of the County of Los Angeles, as Fiscal Agent, to represent the cost of certain work in the County of Los Angeles, as the same is more fully described in the Country Improvement No. 2659-M (Shrode Avenue Sewer Project) Second Amended And Restated Resolution of Intention for the Construction of Sanitary Sewers adopted by the Board of Supervisors of the County of Los Angeles, California on November 22, 2005, and on file with the Executive Officer Clerk of the Board of Supervisors. The principal amount of the Bond is the unpaid amount assessed in the recorded Assessment Roll with respect to County Improvement 2659-M against the lot or parcel of land numbered therein, and in the diagram attached thereto, as assessment number _____, and constitutes a lien upon the property affected thereby, as the same is described herein and in said recorded assessment with its diagram as Assessor Parcel Number _____in said County of Los Angeles, State of California.

This Bond is payable exclusively from said assessment, and neither the County of Los Angeles nor any officer thereof is beholden for payment otherwise of its principal or interest. The term of this Bond is 20 years from the second day of January next succeeding the next September first following its date, and at the expiration of said time the whole sum unpaid shall be due and payable, but on the second day of January of each year, following the next September first after its date, an even annual proportion of its whole amount is due and payable, by mail to the Registered Owner hereof (and in the

case of the final payment of principal hereof, upon presentation of this Bond at the office of the Treasurer and Tax Collector of the County of Los Angeles in Los Angeles, California) until the whole is paid, with all accrued interest at the rate of_____ percent per annum.

The interest is payable semiannually on the second day of January and of July in each year hereafter, by warrant mailed to the Registered Owner hereof, commencing July 2, 2006. The first payment of interest is for the period from the date hereof to but not including the first interest payment date, and thereafter the interest payments are for semiannual interest.

This Bond may be redeemed by the owner of, or by any person interested in, the lot or parcel of land described herein, in the manner provided in the Code, at any time before final maturity, upon payment to the Treasurer and Tax Collector of the County of Los Angeles, for the Registered Owner of this Bond, of the amount then unpaid on the principal sum thereof, together with a premium of five percent of said unmatured principal, plus interest thereon (if not previously paid) up to the next succeeding January 2 or July 2, as the case may be, at the rate named in the Bond, and all penalties accrued and unpaid.

Should default be made in the annual payment upon the principal, or in any payment of interest from the owner of said lot or parcel of land, or anyone in his behalf, the Registered Owner of this Bond is entitled on or after the second day of January or July, as the case may be, following such default to declare the whole unpaid amount to be due and payable, and to have said lot or parcel of land advertised and sold forthwith, in the manner provided by law; provided, however, that any Bond may be reinstated after such default in the manner provided in the Code. In case of such default there shall be immediately added to such defaulted amount, two percent of the amount thereof, and on the first day of each month following such default there shall be added a further penalty of two percent of such defaulted amount. The two percent penalty first imposed shall be retained by the Treasurer and Tax Collector of the County of Los Angeles as a cost of servicing the delinquency and all subsequent penalties shall be paid to the Registered Owner of the Bond along with and as a part of such defaulted payment.

The registration of this Bond may be transferred by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Treasurer and Tax Collector, as Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent and duly executed by the Bondowner or his or her duly authorized attorney. The Paying Agent may impose a charge not to exceed ten dollars ($10) for any new Bond issued upon transfer and may require the Bondowner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Whenever this Bond shall be surrendered for registration of transfer, the paying Agent shall authenticate and deliver a new bond of like tenor; provided that the Paying Agent shall not be required to register the transfer of any Bond called for redemption.

This Bond is issued subject to all the terms and conditions of the above mentioned Indenture, to all of the provisions of which the Registered Owner hereof, by acceptance of this Bond, assents and agrees.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Bond to be signed by the Treasurer and Tax Collector of the County of Los Angeles, by his manual or facsimile signature and by the Executive Officer-Clerk of the Board of Supervisors of the County of Los Angeles, by her manual or facsimile signature, and has caused its corporate seal to be reproduced by facsimile hereon, all as of the _____ day of January, 2006.

[SEAL]

_____
Treasurer and Tax Collector of the
County of Los Angeles

_____
Executive Officer-Clerk of the Board of
Supervisors of the County of Los Angeles

CERTIFICATE
OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within mentioned Indenture which has been authenticated and registered on the __ day of January, 2006.

Treasurer and Tax Collector of the County of Los Angeles, as Paying Agent

By: _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign, and transfer unto _____ the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent will full power of substitution in the premises.

Dated: _____

_____

NOTICE: The signature to this Assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed: _____

Taxpayer I.D. No.: _____

**EXHIBIT B**

**(LETTERHEAD OF THE APPLICABLE DEPARTMENT OF THE COUNTY OF LOS ANGELES)**

**PAYMENT REQUEST FORM**

Auditor-Controller, as Fiscal Agent
500 West Temple Street, Room 603
Los Angeles, CA 90012

SUBJECT: REQUEST FOR PAYMENT OF [COSTS OF ISSUANCE]
[PROJECT COSTS] FOR COUNTY OF LOS ANGELES
COUNTY IMPROVEMENT NO. 2659-M
(SHRODE AVENUE SEWER PROJECT)
1911 ACT LIMITED OBLIGATION IMPROVEMENT BONDS, SERIES 2006

The Fiscal Agent is hereby requested to pay from the Improvement Fund established pursuant to the Indenture, dated as of January 1, 2006, executed by the County of Los Angeles, the Treasurer and Tax Collector of the County of Los Angeles, as Paying Agent, and the Auditor-Controller of the County of Los Angeles, as Fiscal Agent, to the person, corporation or other entity designated below as Payee, the sum set forth below such designation, in payment of the [Costs of Issuance] [Project Costs attributable to the Project] described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the [Costs of Issuance] [Project Costs attributable to the Project] described below and has not formed the basis of any prior request for payment.

( ) PROGRESS PAYMENT

( ) FULL/FINAL PAYMENT

( ) COST OF ISSUANCE PAYMENT

Payee:

Address:

Amount $ _____

Description of [Project Costs] [Costs of Issuance] or portion thereof accepted by the County of Los Angeles and authorized to be paid to the Payee.

Executed by the Authorized
Representative of the County
of Los Angeles

Signature: _____

Name: _____

Dated: _____

Title: _____

Payment Request No. _____

Attachment: (Attach duplicate original of Payee's statement(s) or invoice(s).

## ADMINISTRATIVE EXPENSE PAYMENT REQUEST FORM

(Attach duplicate original of Payee's statement(s) or invoice(s)

( ) PROGRESS PAYMENT

( ) FULL/FINAL PAYMENT

The Fiscal Agent is hereby requested to pay from the Administrative Expense Fund established pursuant to the Indenture, dated as of January 1, 2006 by the County of Los Angeles, the Treasurer and Tax Collector of the County of Los Angeles, as the Paying Agent, and the Auditor-Controller of the County of Los Angeles, as Fiscal Agent, to the person, corporation or other entity designation below as Payee, the sum set forth below such designation, in payment of the Administrative Expense described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the Administrative Expense described below and has not formed the basis of any prior request for payment.

Payee:
Address:

Amount: $_____

Description of Administrative Expense or portions thereof accepted by the County of Los Angeles and authorized to be paid to the Payee.

Executed by the Authorized
Representative of the
County of Los Angeles

Signature: _____

Name: _____

DATED: _____ Title: _____

Payment Request No.

Attest:

# EXHIBIT C

## BOND SCHEDULE

| Assessment Number | Assessor Parcel Number | Original Principal Amount | Payments of Principal (January 2) | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| 1 | 8521 012 001 | $14,339 | | | | | | | | | | | | | | | | | | | | |
| 2 | 8521 012 002 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 3 | 8521 012 045 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 4 | 8521 012 005 | 13,339 | | | | | | | | | | | | | | | | | | | | |
| 5 | 8521 012 006 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 6 | 8521 012 007 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 7 | 8521 012 008 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 8 | 8521 012 009 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 9 | 8521 012 010 | 14,692 | | | | | | | | | | | | | | | | | | | | |
| 10 | 8521 012 035 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 11 | 8521 012 042 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 12 | 8521 012 041 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 13 | 8521 012 012 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 14 | 8521 012 033 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 15 | 8521 012 043 | 20,877 | | | | | | | | | | | | | | | | | | | | |
| 16 | 8521 012 014 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 17 | 8521 012 031 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 18 | 8521 012 030 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 19 | 8521 012 015 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 20 | 8521 012 016 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 21 | 8521 012 029 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 22 | 8521 012 028 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 23 | 8521 012 017 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 24 | 8521 012 018 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 25 | 8521 012 019 | 16,612 | | | | | | | | | | | | | | | | | | | | |
| 27 | 8534 004 030 | 4,265 | | | | | | | | | | | | | | | | | | | | |
| 28 | 8534 004 029 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 29 | 8534 004 028 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 31 | 8534 004 026 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 32 | 8534 004 025 | 3,728 | | | | | | | | | | | | | | | | | | | | |
| 33 | 8534 004 024 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 34 | 8534 004 023 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 35 | 8534 004 022 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 36 | 8534 004 021 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 37 | 8534 004 020 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 38 | 8534 004 019 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 39 | 8534 004 063 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 40 | 8534 004 064 | 14,339 | | | | | | | | | | | | | | | | | | | | |

# EXHIBIT C

## BOND SCHEDULE
## (continued)

| Assessment Number | Assessor Parcel Number | Original Principal Amount | Payments of Principal (January 2) | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| 41 | 8534 004 016 | $ 3,728 | | | | | | | | | | | | | | | | | | | | |
| 42 | 8534 004 015 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 43 | 8534 004 014 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 44 | 8534 004 013 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 45 | 8534 004 062 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 46 | 8534 004 061 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 47 | 8534 004 060 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 48 | 8534 004 059 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 49 | 8534 004 056 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 50 | 8534 004 055 | 12,739 | | | | | | | | | | | | | | | | | | | | |
| 51 | 8534 004 054 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 52 | 8534 004 053 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 53 | 8534 004 052 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 54 | 8534 004 051 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 55 | 8534 004 050 | 14,189 | | | | | | | | | | | | | | | | | | | | |
| 56 | 8534 004 049 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 57 | 8534 004 046 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 58 | 8534 004 045 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 59 | 8534 004 044 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 60 | 8534 004 043 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 61 | 8534 004 042 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 62 | 8534 004 041 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 63 | 8534 004 040 | 14,339 | | | | | | | | | | | | | | | | | | | | |
| 64 | 8534 004 039 | 12,739 | | | | | | | | | | | | | | | | | | | | |

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 6, 2005**

**NEW ISSUE** **NOT RATED**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 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 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 County, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "Tax Matters" herein.*

# $[927,554]*
# County of Los Angeles
# County Improvement No. 2659-M
# (Shrode Avenue Sewer Project)
# 1911 Act Limited Obligation Improvement Bonds
# Series 2006

**Dated: Date of Issuance** **Interest Rate: ___%** **Price: ___%** **Due: January 2, 2021**

The County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006 (the "Bonds") are being issued by the County of Los Angeles, California (the "County"), pursuant to the provisions of the Improvement Bond Act of 1911, as amended (California Streets and Highways Code Sections 5000 *et seq.*) (the "Bond Act"), and the Indenture, dated as of January 1, 2006 (the "Indenture"), by and among the County, the County Auditor-Controller, as fiscal agent (the "Fiscal Agent"), and the County Treasurer and Tax Collector (the "Treasurer"), as paying agent, to finance the design and construction of sanitary sewers and related work (the "Improvements") located within the unincorporated area of the County known as South Monrovia Island in the vicinity of the Cities of Duarte, Irwindale and Monrovia (the "Assessment District"). The Bonds are secured by, and represent, unpaid benefit assessments (the "Assessments") levied upon real property within the Assessment District. Construction of the Improvements, the levy and collection of the Assessments, and the legal proceedings of the County relative thereto are undertaken pursuant to the Municipal Improvement Act of 1913, as amended (California Streets and Highways Code Sections 10000 *et seq.*) (the "Assessment Act").

The Bonds will be issued only as fully registered bonds in denominations corresponding to the respective assessments they represent, as more fully described herein. Interest on the Bonds will be paid from the date of the Bonds on each January 2 and July 2, commencing on July 2, 2006 (each "Interest Payment Date"), by check or warrant drawn by the Treasurer and mailed to the registered owners of the Bonds at their respective addresses shown on the registration books maintained by the Treasurer as of the fifteenth day preceding each Interest Payment Date. The principal of the Bonds and any premium payable upon redemption thereof will be paid upon surrender of the Bonds at maturity or upon earlier redemption at the office of the County Treasurer in Los Angeles, California. The principal of each Bond will be paid in approximately even annual installments on January 2 of each year from January 2007 to and including January 2, 2021. **The Bonds are subject to redemption prior to maturity.** See "The Bonds – Redemption."

Under the provisions of the Bond Act, installments of principal and interest sufficient to meet annual bond debt service will be billed by the Treasurer to owners of property against which there are unpaid assessments. These annual installments are to be paid into a redemption account (the "Redemption Account") established for the Bonds to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due. The assessment securing each Bond is secured by a lien on a particular property against which there is an unpaid assessment within the Assessment District. Under the Bond Act, the Treasurer will bill the property owners for assessment installments ("Assessment Installments") as they become due. In the event any payments are delinquent, the total amount of delinquency (principal and/or interest) will accrue penalties at the rate of 2% per month until paid. The Bondowner shall be the recipient of all such penalties, except for penalties with respect to the first month of each delinquency. If a Bond becomes delinquent the Bondowner has the right to compel a foreclosure action on the property. See "Bondowner's Risks – Bankruptcy and Foreclosure."

**NEITHER THE CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS OR THE INTEREST THEREON, AND, EXCEPT AS PROVIDED HEREIN, NO OWNER OF THE BONDS MAY COMPEL THE EXERCISE OF ANY TAXING POWER BY THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR FORCE THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY. THE PRINCIPAL OF, PREMIUM (IF ANY) AND INTEREST ON THE BONDS ARE NOT A DEBT OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF NOR A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THEIR RESPECTIVE PROPERTY OR UPON ANY OF THEIR RESPECTIVE INCOME, RECEIPTS OR REVENUES, EXCEPT THE ASSESSMENT INSTALLMENTS. THE BONDS AND INTEREST THEREON ARE NOT PAYABLE FROM THE GENERAL FUNDS OF THE COUNTY. See "Security for the Bonds."**

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* Preliminary, subject to change.

See the Section of this Official Statement entitled "Bondowner's Risks" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds. This cover page contains certain general quick reference information but it is not a summary of the Bonds. This Official Statement contains material information which is essential to the making of an informed investment decision with respect to the Bonds. Any interested investor is advised to read the entire Official Statement before purchasing the Bonds.

*The Bonds are offered when, as and if issued subject to the approval of legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County. Certain legal matters will be passed upon for the County by the County Counsel. It is anticipated that the Bonds will be available for delivery on or about January 24, 2006.*

*The Bonds will be sold by competitive sale on or about January 17, 2006 at 9:00 a.m., Pacific Time, pursuant to the Official Notice Inviting Bids dated January 6, 2006 For information concerning the competitive sale of the Bonds, contact the Office of Public Finance of the County of Los Angeles Treasurer and Tax Collector.*

Dated: January __, 2006

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, by any 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 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official 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 Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

CUSIP data set forth herein are for convenience of reference only. Neither the County nor the Underwriter assumes any responsibility for the accuracy of such data.

COUNTY OF LOS ANGELES

County Improvement No. 2659-M
(Shrode Avenue Sewer Project)
1911 Act Limited Obligation Improvement Bonds
Series 2006

**Board of Supervisors**

Michael D. Antonovich
*Fifth District, Mayor*

Gloria Molina
*First District*

Yvonne B. Burke
*Second District*

Zev Yaroslavsky
*Third District*

Don Knabe
*Fourth District*

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

**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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## TABLE OF CONTENTS

**INTRODUCTION** ..... **1**
Summary ..... 1
Purpose of the Bonds ..... 1
The Assessment District ..... 1
The Improvement Project ..... 3
Description of the Bonds ..... 3
Security for the Bonds ..... 3
Foreclosure ..... 4
Bondowner's Risks ..... 4
Tax Matters ..... 4
Forward Looking Statements ..... 5
Miscellaneous ..... 5

**ESTIMATED SOURCES AND USES** ..... **5**

**THE IMPROVEMENT PROJECT** ..... **6**

**THE ASSESSMENT DISTRICT** ..... **6**
General Description ..... 6
Summary of Assessment Proceedings ..... 6
Method of Assessment ..... 7
Tax Payment Status ..... 8
Property Values ..... 8
Assessment and Valuation Date ..... 9

**THE BONDS** ..... **11**
General Description ..... 11
Redemption ..... 11
Notice of Redemption ..... 11

**SECURITY FOR THE BONDS** ..... **12**
Assessments ..... 12
Establishment of Special Funds and Accounts ..... 13

**THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS** ..... **14**

**BONDOWNER'S RISKS** ..... **15**
Limited Obligations; Failure to Pay Assessment Installments ..... 15
Potential Delay in Payment ..... 16
Bankruptcy and Foreclosure ..... 16
Parity Taxes and Special Assessments ..... 16
Property Values ..... 17
Values of Assessment Parcels ..... 18
Earthquakes and Natural Disasters ..... 18
No Acceleration Provision ..... 18
Absence of Market for the Bonds ..... 18
Proposition 218 ..... 19

**LIMITATIONS ON REMEDIES** ..... **19**

**TAX MATTERS** ..... **19**
Opinion of Bond Counsel ..... 19
Certain Ongoing Federal Tax Requirements and Covenants ..... 20
Certain Collateral Federal Tax Consequences ..... 20
Bond Premium ..... 20
Legislation ..... 21

**LEGAL MATTERS** ..... **21**

**LITIGATION** ..... 21

**NO RATING** ..... 21

**NO CONTINUING DISCLOSURE** ..... 21

**MISCELLANEOUS** ..... 21

**APPENDICES:**

Appendix A - Summary of the Indenture
Appendix B - Assessment Diagram
Appendix C - Table of Unpaid Assessments, Bond Numbers and Denominations and Values and Ratios
Appendix D - Form of Opinion of Bond Counsel

**$[927,554]***
**County of Los Angeles**
**County Improvement No. 2659-M**
**(Shrode Avenue Sewer Project)**
**1911 Act Limited Obligation Improvement Bonds**
**Series 2006**

# INTRODUCTION

## Summary

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices attached hereto (collectively, the "Official Statement") is to provide certain information concerning the sale and issuance of $[927,554]* County of Los Angeles County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006 (the "Bonds"). *This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "State") and any documents referred to in this Official Statement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings set forth in the Indenture (herein defined). See Appendix A - "Summary of the Indenture."*

## Purpose of the Bonds

The Bonds are being issued pursuant to the provisions of the Improvement Bond Act of 1911, as amended (California Streets and Highways Code Sections 5000 *et seq.*) (the "Bond Act"), and the Indenture, dated as of January 1, 2006 (the "Indenture"), by and among the County, the County Auditor-Controller (the "Auditor-Controller"), as fiscal agent, and the County Treasurer and Tax Collector (the "Treasurer"), as paying agent, to finance the design and construction of sanitary sewers and related work (the "Improvements") located within the unincorporated area of the County known as South Monrovia Island in the vicinity of the Cities of Duarte, Irwindale and Monrovia (the "Assessment District"). The Bonds are secured by, and represent, unpaid benefit assessments (the "Assessments" and each installment thereof, the "Assessment Installment") levied upon real property within the Assessment District. Construction of the Improvements, the levy and collection of the assessments, and the legal proceedings of the County relative thereto are undertaken pursuant to the Municipal Improvement Act of 1913, as amended (California Streets and Highways Code Sections 10000 *et seq.*) (the "Assessment Act").

## The Assessment District

The Assessment District was created by the County pursuant to proceedings taken under the Assessment Act. The Assessment District is comprised of 64 originally assessed parcels, 61 of which (the "Assessment Parcels") bear unpaid assessments. A list of those parcels and the respective Assessments applicable to them, together with certain other information relative thereto, is set forth in Appendix C –

* Preliminary, subject to change.

"Table of Unpaid Assessments, Bond Numbers and Denominations and Values and Ratios." See "The Assessment District."

**The Improvement Project**

The Bonds are being issued to finance the Improvements and related expenses. The proposed Improvements include engineering services and the construction of approximately 2,000 lineal feet of 8-inch sewer, approximately 10 sewer manholes, approximately 1,900 lineal feet of 6-inch sewer laterals, and three (3) connections to the existing sewers in Camino Real within the unincorporated area of the County known as South Monrovia Island in the vicinity of the Cities of Duarte, Irwindale and Monrovia. See "The Improvement Project."

**Description of the Bonds**

The Bonds will be issued in the aggregate principal amount of $[927,554]* and will be dated the date of issuance. Each Bond will be issued in fully registered form in the denomination corresponding to the Assessment it represents in the amount of $150 or more, as set forth in Appendix C – "Table of Unpaid Assessments, Bond Numbers and Denominations and Values and Ratios." Each Bond relates to a particular parcel within the Assessment District, and no Bond may be exchanged for a Bond of a different denomination. Interest on the Bonds will be paid on each January 2 and July 2, commencing on July 2, 2006. Each Bond is subject to redemption in whole on any Interest Payment Date (herein defined), from amounts received by the County from the owner of the property to which such Bond relates pursuant to the exercise of such property owner's right to prepay his or her assessment installment. The principal of each Bond shall be payable in 20 equal installments on January 2 in each year commencing January 2, 2007. The final installment of principal of any Bond and any premium due upon any Bond called for redemption prior to its final maturity shall be payable upon presentation and surrender of such Bond at maturity or earlier redemption at the Principal Office (herein defined) of the Treasurer. See "The Bonds."

**Security for the Bonds**

The Bonds are issued upon and secured by the unpaid assessments levied upon certain real property within the Assessment District. Each Bond is secured by an unpaid assessment upon a lot or parcel of land, which unpaid assessment constitutes a lien upon the property affected thereby. Should default be made in the annual payment of the principal or in any payment of interest by the owner of said lot or parcel of land, or anyone on behalf of the owner, the owner of the Bond is entitled to cause foreclosure proceedings to be instituted pursuant to the Bond Act. The lien of the unpaid assessment is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all fixed special assessment liens which may thereafter be created against the property. Such lien is on a parity with all special taxes levied by the County and other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Assessment has priority over all existing and future private liens and all future fixed special assessment liens imposed on the property. The County, 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 Assessment District. The County has not determined whether there are any additional assessment liens or special taxes on land in the Assessment District. See "Bondowner's Risks – Parity Taxes and Special Assessments." The County is not obligated to advance its own funds to pay debt service on the Bonds. See "Security for the Bonds" and Appendix A – "Summary of the Indenture."

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* Preliminary, subject to change.

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS OR THE INTEREST THEREON, AND, EXCEPT AS PROVIDED HEREIN, NO OWNER OF THE BONDS MAY COMPEL THE EXERCISE OF ANY TAXING POWER BY THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR FORCE THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY. THE PRINCIPAL OF, PREMIUM (IF ANY) AND INTEREST ON THE BONDS ARE NOT A DEBT OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF NOR A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THEIR RESPECTIVE PROPERTY OR UPON ANY OF THEIR RESPECTIVE INCOME, RECEIPTS OR REVENUES, EXCEPT THE ASSESSMENT INSTALLMENTS. THE BONDS AND INTEREST THEREON ARE NOT PAYABLE FROM THE GENERAL FUNDS OF THE COUNTY. See "Security for the Bonds."

**Foreclosure**

Each Bond relates to a particular parcel within the Assessment District. If a property owner fails to pay any Assessment Installment, there will be insufficient funds available to pay the related Bond. See "Security for the Bonds." The County is not obligated to advance its own funds to pay the principal of or interest on the Bonds in the event Assessment Installments received by the Treasurer are insufficient to make such payments.

In the event of the delinquency in the payment of an assessment installment, the County shall have no obligation to initiate foreclosure proceedings on the parcel for which such assessment installment is delinquent unless and until the owner of the Bond secured by such parcel provides the Treasurer with evidence satisfactory to the Treasurer that such Bondowner has given notice of the delinquency to the owner of such parcel pursuant to Section 6500 of the California Streets and Highways Code.

The County shall have no obligation to purchase any Assessment Parcel which is subject to sale due to foreclosure on the assessment lien thereon as a result of the delinquency in the payment of an Assessment Installment. See "Bondowner's Risks – Bankruptcy and Foreclosure."

**Bondowner's Risks**

Certain events could affect the availability of funds sufficient to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "Bondowner's Risks" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves risks, and the Bonds are not appropriate investments for investors who are not able to bear those risks. See "Bondowner's Risks."

**Tax Matters**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 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 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 County, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "Tax Matters" herein.

**Forward Looking Statements**

Certain statements included or incorporated by reference in the following information constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the County's forecasts in any way, regardless of the level of optimism communicated in the information.

**Miscellaneous**

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

Included herein are brief summaries of the Indenture and certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. See Appendix A – "Summary of the Indenture." Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or Owners of any of the Bonds.

Copies of documents referred to herein and information concerning the Bonds are available from Mr. Glenn Byers, Director of Public Finance, Office of the County of Los Angeles Treasurer and Tax Collector, 432 Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, CA 90012 (the "Principal Office"). The County may impose a charge for copying, mailing and handling.

## ESTIMATED SOURCES AND USES

The table below sets forth the estimated sources and uses of the proceeds of the Bonds and other amounts:

| | |
|---|---|
| Sources: | |
| Principal Amount | $_____ |
| Total: | $_____ |
| Uses: | |
| Deposit to Improvement Fund | $ |
| [Underwriter's Compensation] | |
| Costs of Issuance [1] | _____ |
| Total: | $_____ |

[1] Includes legal fees, paying agent fees, and printing costs.

## THE IMPROVEMENT PROJECT

The proposed improvements include engineering services and the design and construction of a sanitary sewer system necessary to provide wastewater collection and conveyance to private properties in an area located within the unincorporated area of Los Angeles County known as the South Monrovia Island in the vicinity of the Cities of Duarte, Irwindale and Monrovia. The proposed improvements consist of approximately 2,000 lineal feet of 8-inch sewer, approximately 10 sewer manholes, approximately 1,900 lineal feet of 6-inch sewer laterals and three connections to the existing sewer in Camino Real within the unincorporated area of the County known as South Monrovia Island in the vicinity of the Cities of Duarte, Irwindale and Monrovia. Preliminary plans and specifications for "County Improvement No. 2658-M, Shrode Avenue Sewer and Other Rights-of-Way" are on file in the office of the Clerk of the Board of Supervisors and the Department of Public Works.

## THE ASSESSMENT DISTRICT

### General Description

The Assessment District is located in the unincorporated area of the County known as South Monrovia Island in the vicinity of the Cities of Duarte, Irwindale and Monrovia.

The Assessment District is comprised of approximately 9.68 acres, located in the eastern portion of Los Angeles County and consists of 64 parcels. A list of those parcels and the respective Assessments applicable to them, together with certain other information relative thereto, is set forth in Appendix C – "Excerpts from the Engineer's Report."

### Summary of Assessment Proceedings

On June 11, 2002, the Board of Supervisors adopted a resolution instituting proceedings authorizing 1913 Act proceedings for this Project. On November 22, 2005, the Board of Supervisors adopted a Second Amended and Restated Resolution of Intention, declaring its intention to confirm the assessment and to order the improvements made in accordance with the Assessment Act. The Assessment District to be benefited by the work and Improvements and to be assessed to pay the costs and expenses thereof, are shown in the attached Assessment Diagram. It was determined that the Bonds shall be issued in payment of the costs and expenses, under the provisions of the Bond Act, and that the public necessity require such improvement pursuant Article XVI, Section 19 of the Constitution of the State and Part 2 of Chapter 4.56 of the Los Angeles County Code. The adopted Engineer's Report and Assessment Map _____ are on file in the Office of the Department of Public Works.

On October 19, 2005, a public meeting regarding the enactment of the proposed assessment was conducted by the Department of Public Works. The protest hearing regarding any objections to the proposed work and extent of the district to be assessed and assessments was held on November 22, 2005. The Board of Supervisors also confirmed the levy of the assessments in the estimated aggregate amount of $[927,554]* and approximately $[37,271] has been received by the County as cash payments of such assessments.

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* Preliminary, subject to change.

**Method of Assessment**

The total estimated improvement cost of $964,825 consists of the cost for design and construction of wastewater collection and conveyance facilities in the approximate amount of $860,185 and the costs for County Sanitation Districts of Los Angeles County connection fees in the approximate amount of $104,640.

In accordance with the assessment methodology established by the Department of Public Works, the unit cost for the component applicable to the design and construction of the wastewater facilities will be the total cost of said facilities ($860,185) divided by the total wastewater flow calculated by Sanitation District No. 22 (17,940 gpd) or $47.947882/gpd ($860,185 ÷ 17,940 gpd). Each parcel will be assessed its share of the design and construction of the wastewater facilities using the unit cost of $53.780658/gpd and the estimated wastewater flow from each parcel.

Of the 64 parcels included in the Assessment District, three (3) parcels have already paid a portion of their connection fees to Sanitation District No. 22. The unit cost for the component applicable to the connection fees of the 61 remaining parcels will be the total cost of said fees ($104,640) divided by the total number of existing sewage capacity units (65.40) or $1,600/capacity unit ($104,640 ÷ 65.40). Each parcel will be assessed its share of the connection fees using the unit cost of $1,600/capacity unit and the existing number of capacity units.

The zoning classifications within the Assessment District are as follows:

| Zoning Classification | Percent of Total | Design & Construction Assessment | Connection Fee Assessment | Total Assessment |
|---|---|---|---|---|
| A-1 (single-family residence zone) | __% | $ 12,739 | $1,600 | $14,339 |
| R-2 (two-existing dwelling units) | __ | 14,692 | 1,920 | 16,612 |
| R-2 (three existing dwelling units) | __ | 20,551 | 2,880 | 23,431 |

**Tax Payment Status**

As of August 22, 2005, County records indicate that 58 of the 64 parcels within the Assessment District are current on property taxes. The six parcels with property taxes for Fiscal Year 2004-05 and earlier that are due and unpaid are as follows:

| Assessment Number | Taxes Delinquent[1] | Assessment to be Levied | Value to Assessment Lien Ratio[2] |
|---|---|---|---|
| 18 | $3,129.25 | 16,611.54 | 15:1 |
| 19 | 3,145.06 | 16,611.54 | 15:1 |
| 39 | 674.04 | 16,611.54 | 7:1 |
| 45 | 893.10 | 14,338.52 | 2:1[3] |
| 48 | 1,227.24 | 14,338.52 | 7:1 |
| 64 | 658.06 | 12,738.52 | 22:1 |

(1) Excluding cost and penalties.
(2) Based on Fiscal Year 2004-05 assessment values.
(3) Based on 1975 valuation.
Source: Office of the County of Los Angeles Treasurer and Tax Collector.

**Property Values**

The County has obtained the "full cash values" of the Assessment Parcels as shown in the records of Los Angeles County for property tax purposes. See Appendix C – "Table of Unpaid Assessments, Bond Numbers and Denominations and Values and Ratios" attached hereto.

Article XIIIA of the California Constitution (Proposition 13) defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/75 bill under 'full cash value,' or thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. As a result of such annual adjustments to the full cash value of each property in the Assessment District, the County tax roll does not reflect values uniformly proportional to actual market values.

No assurance can be given that should an Assessment Parcel with delinquent assessment installments be foreclosed and sold that any bid will be received for the parcel or if a bid is received that the bid will be sufficient to pay all amounts due the Bondowner.

**Assessment and Valuation Date**

The total of the Assessments on all 64 parcels within the Assessment District is $964,825, with Assessments ranging from $12,738.52 to $23,430.59. The Assessments on three parcels were paid in full during the cash payment period preceding the sale of the Bonds.

The remaining and unpaid Assessments total $927,554. The value to lien ratio of the 61 Assessment Parcels ranges from 2:1 to 30:1. County records indicate that all parcels with a value to lien ratio of less than 3:1 were last valued prior to 1978. See Appendix C – "Table of Unpaid Assessments, Bond Numbers and Denominations and Values and Ratios" attached hereto for a summary of the assessed values of the Assessment Parcels and the amounts of their respective unpaid Assessments and the resultant value to lien ratios.

The following table identifies the distribution of Assessment Parcels by value to lien ratios for comparison purposes:

| Value to Lien Ratio | Number of Assessment Parcels | Total Amount of Unpaid Assessments | Percentage of Total Unpaid Assessments |
|---|---|---|---|
| Less than 10:1 | 36 | $ 516,899 | 56% |
| 10:1 to 34:1 | 28 | 410,655 | 44 |
| Total | 64 | $927,554 [1] | 100% |

[1] Total may not equal sum of parts due to rounding.

## Direct and Overlapping Debt

Within the Assessment District's boundaries are various overlapping local agencies providing public services. Some of these local agencies have outstanding bonds which are secured by levies and charges on the parcels within the Assessment District. The direct and overlapping debt secured by taxes and assessment on the parcels within the Assessment District as of August 1, 2005 is shown in the following table compiled by California Municipal Statistics, Inc.

**County Improvement No. 2659-M**
**Direct and Overlapping Tax and Assessment Debt Statement**
**As of August 1, 2005**

LOS ANGELES COUNTY IMPROVEMENT DISTRICT NO. 2659-M

2004-05 Local Secured Assessed Valuation: $8,157,743

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 8/1/05 | |
|---|---|---|---|
| Los Angeles County | 0.001% | $ 162 | |
| Los Angeles County Flood Control District | 0.004 | 5,697 | |
| Metropolitan Water District of Southern California | 0.001 | 4,194 | |
| Citrus Community College District | 0.054 | 10,530 | |
| Duarte Unified School District | 0.396 | 101,228 | |
| **Los Angeles County Improvement District No. 2659-M** | **100.** | - | (1) |
| Los Angeles County Regional Park and Open Space Assessment District | 0.001 | 3,497 | |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $125,308 | |
| OVERLAPPING GENERAL FUND DEBT: | | | |
| Los Angeles County General Fund Obligations | 0.001% | $13,733 | |
| Los Angeles County Pension Obligations | 0.001 | 10,501 | |
| Los Angeles County Superintendent of Schools Certificates of Participation | 0.001 | 225 | |
| Los Angeles County Sanitation District No. 22 Authority | 0.145 | 32,259 | |
| San Gabriel Valley Mosquito Abatement District Certificates of Participation | 0.012 | 109 | |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | $56,827 | |
| COMBINED TOTAL DEBT | | $182,135 | (2) |

(1) Excludes 1915 Act bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2004-05 Assessed Valuation:

| | |
|---|---|
| **Direct Debt** | - % |
| Total Direct and Overlapping Tax and Assessment Debt | 1.54% |
| Combined Total Debt | 2.23% |

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $0

Source: California Municipal Statistics, Inc.

## THE BONDS

### General Description

The Bonds will be dated the date of issuance, will mature as shown in Appendix E - "Maturity Schedule" attached hereto, and will bear interest from their dated date on their respective unmatured principal amounts at the rate set forth on the cover page hereof.

Interest on the Bonds will be payable on each January 2 and July 2, commencing on July 2, 2006 (each an "Interest Payment Date"), to the registered owners of the Bonds as of the fifteenth day preceding such Interest Payment Date (the "Record Date"), regardless of whether such day is a business day. Each Bond will relate to a specific parcel of land within the Assessment District and will be issued in the denomination equal to the amount of the unpaid Assessment on each such parcel of land. See Appendix C – "Table of Unpaid Assessments, Bond Numbers and Denominations and Values Ratios."

Interest on the Bonds will be by check or warrant drawn by the Treasurer and mailed by first class mail, postage prepaid, to the person whose name shall appear in the Bond Register as the Owner of such Bond as of the Record Date at the address which appears on the Bond Register. Interest with respect to each Bond shall be computed using a year of 360 days comprised of twelve 30-day months. In the event a property owner within the Assessment District elects to prepay the installment of the assessment levied against his parcel, the related Bond is subject to redemption prior to maturity, in whole, on any Interest Payment Date at a redemption price equal to 105% of the unpaid principal amount thereof. The principal of each Bond shall be payable in 20 equal installments on January 2 in each year commencing January 2, 2007 and will be paid by check or warrant mailed to the registered owners of the Bonds as of the applicable Record Date. The final installment of principal of any Bond and any premium due upon any Bond called for redemption prior to its final maturity shall be payable upon presentation and surrender of such Bond at maturity or earlier redemption at the Principal Office of the Treasurer. See Appendix A – "Summary of the Indenture."

### Redemption

Any Bond shall be redeemed in whole prior to its final maturity on any Interest Payment Date from moneys on deposit and available for such purpose in the Redemption Fund from the source described in Section 6447 of the Bond Act, at the redemption price described in said Section 6447, which shall include a redemption premium equal to five percent (5%) of the unpaid principal amount of the Bond to be redeemed.

In the event that the County redeems the Bonds as provided in the Indenture, the County shall give written notice to the Paying Agent of its election to so redeem the Bonds, the Redemption Date and the principal amount of each series of Bonds to be redeemed. Such notice shall be given as soon as possible after receipt by the Treasurer of amounts to effect the redemption under the Bond Act.

The redemption price of any Bond to be redeemed will be paid upon presentation and surrender of such Bond at the Principal Office of the Treasurer. If the redemption price of any Bond to be redeemed has been paid or provided for, interest on such Bond or portion thereof will cease to accrue as of the redemption date, and such Bond will thereafter no longer be deemed to be outstanding.

### Notice of Redemption

When redemption is required pursuant to the Indenture, the County shall give written notice to the Paying Agent of its election to so redeem the Bonds, the Redemption Date and the principal amount of the Bonds to be redeemed. Such notice shall be given as soon as possible after receipt by the Treasurer of

amounts to effect the redemption under the Bond Act. The Paying Agent shall give notice (the "Redemption Notice"), at the expense of the County, of the redemption of the Bonds specifying: (i) the Bonds which are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name and address of any redemption agent, (iv) the redemption price and (v) the CUSIP numbers (if any) assigned to the Bonds to be redeemed. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. Because the Bond Act permits any owner of property to prepay his assessment at any time and provides that the Bond relating to such prepayment must be called for redemption the next succeeding January 2 or July 2, no assurance can be given that the corresponding notice of redemption given by the Paying Agent will be received prior to the date fixed for redemption.

## SECURITY FOR THE BONDS

### Assessments

The Bonds are secured by unpaid assessments which have been levied against certain real property within the Assessment District in accordance with proceedings conducted by the County under the Assessment Act. Each Bond is payable only from the Assessment Installment received with respect to the Assessment Parcel to which such Bond relates, and not from Assessment Installments received with respect to other parcels of land. Payments of principal and interest on such outstanding assessments together with interest and penalties, if any, on delinquent assessment payments will be deposited in an account (the "Redemption Account") held by the Fiscal Agent. The Redemption Account constitutes a trust account for the payment of the principal of and interest on the Bonds, which are payable solely out of the Redemption Account.

The Assessments are payable in approximately even annual principal installments over a period of years corresponding to the final term to maturity of the Bonds. Interest accrues on the outstanding principal balance of each assessment at a rate equal to the interest rate on the Bonds, and is payable in January and July of each year until the Bonds are redeemed. A penalty of 2% per month will accrue with respect to any delinquent assessment installment from its due date to the date paid, and interest will continue to accrue on any delinquent assessment installment until fully paid. All penalties will be paid to the Bondowner, except for penalties with respect to the first month of each delinquency, along with and as part of the defaulted payment on the related Bond. The amount of each assessment was fixed at the time of levy thereof, and failure by any property owner to pay any assessment installment will not result in an increase in the assessment against any other parcel of land.

The assessments and each installment thereof and any interest and penalties thereon constitute liens against the Assessment Parcel on which they were levied until paid. Such assessment liens are subordinate to all fixed special assessment liens previously imposed on the same Assessment Parcel, but they have priority over all existing and future private liens and fixed special assessment liens which are subsequently imposed against the Assessment Parcel, such as deeds of trust, mortgages, attachments and the Assessment Parcel owner's equity. See "The Assessment District – Prior Assessment Liens." The lien is co-equal to and independent of the lien for general taxes and any community facilities district special taxes. The County, 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 Assessment District. The County has not determined whether there are any additional assessment liens or special taxes on land in the Assessment District. See "Bondholder's Risks – Parity Taxes and Special Assessments."

Assessment installments are payable pursuant to billings made by the Treasurer as of April 15 and October 15 of each year, which amounts become delinquent on the following June 1 and December 1, respectively. Although the unpaid balance of each assessment constitutes a lien on the Assessment Parcel, it does not constitute a personal indebtedness of the owner of such Assessment Parcel. The County cannot ensure that the owners of the Assessment Parcel within the Assessment District will be financially able to pay the assessment installments when due, or that they will pay such assessment installments even if financially able to do so. See "Bondholder's Risks – Potential Delay in Payment" and "– Bankruptcy and Foreclosure."

The Bonds are not a debt of the County, the State or any other governmental entity within the meaning of any constitutional or statutory provision or limitation, and neither the full faith and credit nor the taxing power of the County of Los Angeles or any other governmental entity is pledged to the payment thereof. See "Bondholder's Risks – Parity Taxes and Special Assessments."

If a delinquency occurs in the payment of any unpaid Assessment or interest thereon, the County has no duty to transfer into the Redemption Account the amount of the delinquency.

**Establishment of Special Funds and Accounts**

In accordance with the Bond Act and the Assessment Act, and pursuant to the Indenture, the County has established two special funds for the collection of assessments, the payment of the principal of, and premium (if any) and interest on the Bonds, and for acquisition and construction of the Improvements.

***Improvement Fund.*** There will be deposited into the Improvement Fund the proceeds of sale of the Bonds. Amounts on deposit in the Improvement Fund will be used to pay the costs of constructing and acquiring the Improvements and to reimburse certain costs and expenses of the County in connection therewith.

***Redemption Fund.*** As described above under "Security for the Bonds – Assessments," all assessment installments, including prepaid assessment installments, and interest and penalties thereon, will be deposited into the Redemption Fund. Amounts on deposit in the Redemption Fund will be used to pay debt service on the Bonds; however, each Bond is payable only from the assessment installments received with respect to the parcel of land to which such Bond relates, and not from assessment installments received with respect to other parcels of land.

The Indenture also establishes a Rebate Fund, into which the Fiscal Agent will deposit any amounts which are required to be paid to the United States of America, and an Administrative Expense Fund, into which the Fiscal Agent will deposit certain additional amounts permitted to be assessed against properties within the Assessment District to offset the County's costs of administration of the Bonds and the assessments. Amounts on deposit in the Rebate Fund and the Administrative Expense Fund will not be available to pay debt service on the Bonds under any circumstances. See Appendix A – "Summary of the Indenture."

All funds held under the Indenture may be invested pending disbursement in any instruments which are permitted investments for the County's funds under the California Government Code. All earnings and profits with respect to the investment of funds held under the Indenture will inure to the benefit of the Bondowner and County as set forth in the Indenture, except to the extent such investment income is required to be rebated to the United States of America under the Bond Act or the Assessment Act.

## THE LOS ANGELES COUNTY POOLED SURPLUS INV ESTMENTS

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 September 30, 2005, 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:

| Local Agency | Invested Funds (in billions) |
|---|---|
| County of Los Angeles and Special Districts | $ 4.939 |
| Schools and Community Colleges | 8.115 |
| Independent Public Agencies | 1.193 |
| Total | $ 14.247 |

Of these entities, the involuntary participants accounted for approximately 91.63%, and all discretionary participants accounted for 8.37% 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 March 15, 2005, 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 October 27, 2005, the September 30, 2005 book value of the Treasury Pool was approximately $14.247 billion and the corresponding market value was approximately $14.211 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. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliations 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 September 30, 2005 approximately 56.04% of the pool investments mature within 60 days, with an average of 122.53 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Pool as of September 30, 2005.

| Type of Investment | % of Pool |
|---|---|
| U.S. Government and Agency Obligations | 38.17 |
| Certificates of Deposit | 24.51 |
| Commercial Paper | 30.97 |
| Bankers Acceptances | 0.00 |
| Municipal Obligations | 0.25 |
| Corporate Notes & Deposit Notes | 6.07 |
| Asset Backed Instruments | 0.00 |
| Repurchase Agreements | 0.00 |
| Other | 0.03 |

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.

## BONDOWNER'S RISKS

*The following information supplements other sections of this Official Statement in order to highlight certain risks associated with the Bonds. The order in which the risks are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there may well be other risks associated with an investment in the Bonds in addition to those set forth herein.*

### Limited Obligations; Failure to Pay Assessment Installments

Funds for the payment of the principal of and interest on the Bonds are derived from the Assessment Installment received with respect to the Assessment Parcel to which such Bond relates, and not from Assessment Installments received with respect to other parcels of land. The amount of Assessment Installments that are collected from a particular Assessment Parcel could be insufficient to pay principal of and interest on the related Bond due to non-payment of the Assessment Installment levied upon the affected Assessment Parcel or due to insufficient proceeds received from a foreclosure sale of the related Assessment Parcel within the Assessment District. The County's legal obligations with respect to any delinquent Assessment Installments which secure the Bonds are limited to transfers from the appropriate account of the Redemption Fund and the institution of judicial foreclosure proceedings. The County has no direct or contingent liability to transfer into the Redemption Fund for the Bonds the amount of the delinquency out of any available moneys of the County. The Bonds cannot be accelerated in the event of a default.

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

Unpaid Assessments do not constitute a personal indebtedness of the current or subsequent owners of the parcels included in the Assessment District. There is no assurance that any current or subsequent owner

of a parcel of land included in the Assessment District will be able to pay the Assessment Installments or that it will pay such installments even though financially able to do so.

**Potential Delay in Payment**

Each Bond is payable solely from the monies collected by the Treasurer from the owner of the assessed parcel securing the Bond. Neither the County nor any officer thereof is liable for the payment of the Bonds. The Bonds are not an obligation of the State or any political subdivision of the State, and their full faith and credit is not pledged to the payment thereof. The nature of the obligation for payment of each Bond may result in temporary delays in such payment or require the Bondowner to enforce applicable rights and remedies. Even in normal circumstances, there is a limited probability that a property owner will be delinquent in paying installments of interest and principal. Therefore, any person considering the purchase of these Bonds should be prepared to accept delays in receiving interest and principal installments.

**Bankruptcy and Foreclosure**

The payment of Assessment Installments and the ability of the Bondowner to foreclose the lien of a delinquent unpaid Assessment Installment could be substantially curtailed by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to local court calendars or procedural delays.

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

Although bankruptcy proceedings would not cause the lien of the Assessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

The Bondowners may also be limited in its ability to prosecute foreclosure proceedings against parcels in which other federal agencies (such as the Internal Revenue Service or the Drug Enforcement Agency) assert an interest.

**Parity Taxes and Special Assessments**

The assessments and any penalties thereon will constitute liens against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes levied by the County and other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The assessment has priority over all existing and future private liens and all future fixed special assessment liens imposed on the property. The County, 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 Assessment District. In addition, the landowners within the Assessment District may, without the consent or knowledge of the Assessment District, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the assessment.

The County has not determined whether there are any additional assessment liens or special taxes on land in the Assessment District. The County has no control over the amount of indebtedness that could be

issued by other public agencies in the future, and the liens on the property within the Assessment District could greatly increase, without any corresponding increase in the value of the property within the Assessment District and thereby severely reduce the ratio that exists at the time the Bonds are issued between the value of the property and the debt secured by all taxes and assessments thereon. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within the Assessment District to pay the assessments when due.

Moreover, in the event of a delinquency in the payment of the assessment levy, no assurance can be given that the proceeds of any foreclosure sale would be sufficient to pay the delinquent assessments and any other delinquent assessments, special taxes or taxes. See "The Assessment District – Property Values."

**Property Values**

The value of land within the Assessment District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of assessment installments, the Bondowner's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the delinquent assessment. See "Bondowner's Risks – Bankruptcy and Foreclosure."

Reductions in Assessment District property values could occur due to a downturn in the economy, occurrences such as earthquakes, landslides or floods or other events, all of which will adversely impact the value of the security underlying the assessments. Governmental liens may presently exist or may arise in the future with respect to an Assessment Parcel which, unless subordinate to the Assessment, may effectively reduce the realizable value of the parcel for the benefit of the Assessment. Other claims, such as hazardous substance claims, may also affect the realizable value even though such claims may not rise to the status of liens.

Governmental taxes, assessments and charges are a common claim against the value of an Assessment Parcel, but other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the assessment installments is a claim with regard to a hazardous substance. In general, the owners and operators of an Assessment Parcel may be required by law to remedy conditions of the Assessment Parcel relating to released or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws the owner or operator of a property is obligated to remedy a hazardous substance condition whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect therefore, should any of the Assessment Parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition.

It is also possible that liabilities may arise in the future with respect to any of the Assessment Parcels resulting from the current existence on the Assessment Parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence on the Assessment Parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of an Assessment Parcel that is realized upon delinquency.

**Values of Assessment Parcels**

Values of Assessment Parcels can be adversely affected by a variety of natural events and conditions. These include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements and floods, and climatic conditions such as droughts. The possibility of the occurrence of some of these conditions and events has been taken into account to a limited extent in the design of the Assessment District Improvements and has been or will be taken into account to a limited extent in the designs of other public improvements which may be approved by the County or other public agencies. Building codes require that some of these conditions be taken into account to a limited extent in the design of private improvements. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change from time to time leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria, at the time of their establishment, reflect a balance between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the possibility that the condition will occur and the seriousness of the condition should it occur.

The County expects that one or more of the conditions summarized above may occur from time to time, and, even if design criteria do exist, such conditions may result in damage to property improvements. That damage may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value of the Assessment Parcels could depreciate substantially notwithstanding the establishment of design criteria and the Assessments could exceed the values of the Assessment Parcels.

Other events which may affect the value of an Assessment Parcel include changes in the law of application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums, local application of statewide tax and governmental spending limitation measures. Under such circumstances, the Assessments could exceed the values of the Assessment Parcels.

**Earthquakes and Natural Disasters**

There are several earthquake faults in southern California that potentially could result in damage to homes, roads and property within the Assessment District in the event of an earthquake. Earthquake insurance is available, but property owners may elect not to purchase such insurance. Damage or destruction to property within the Assessment District caused by earthquake or other natural disasters could result in significant reduction in the value of property within the Assessment District with no source of funds for reconstruction.

**No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

**Absence of Market for the Bonds**

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

**Proposition 218**

The Assessments are being levied against the parcels in the Assessment District in accordance with Proposition 218. The language of Proposition 218 and its implementing legislation may be construed as providing an initiative power to reduce or repeal the unpaid assessments which are pledged as security for payment of the Bonds. The County believes that the initiative power cannot be used to reduce or repeal the unpaid assessments which are pledged as security for payment of the Bonds or to otherwise interfere with the statutory duty of the Paying Agent or Fiscal Agent with respect to the unpaid assessments which are pledged as security for payment of the Bonds. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

## LIMITATIONS ON REMEDIES

The rights of the owners of the Bonds are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights

## TAX MATTERS

**Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the 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 Bonds, and Bond Counsel has assumed compliance by the County and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the 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 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 Bonds, or under state and local tax law.

**Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the 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 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 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 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 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 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 Bonds.

Prospective owners of the 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 excluded from gross income for Federal income tax purposes. Interest on the 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.

**Bond Premium**

In general, if an owner acquires a 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 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.

**Legislation**

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

## LEGAL MATTERS

Concurrently with the issuance of the Bonds, Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel, will render its approving opinion substantially in the form attached as Appendix D to this Official Statement. Certain legal matters will be passed upon for the County by the County Counsel.

## LITIGATION

There is no litigation pending, or to the best knowledge of the County, threatened concerning the validity of the Bonds, the Assessments securing the Bonds, or any action taken by the County in connection with the formation of the Assessment District, the levying of the Assessments therein, the authorization of the Indenture or any other document relating to the Bonds to which the County is or is to become a party, the issuance of the Bonds or the performance by the County of any of its obligations under any of the foregoing.

## NO RATING

The County has not applied to any rating agency for the issuance of a rating with respect to the Bonds, nor does it have any intention of applying for any such rating in the future. No such rating should be assumed based upon any other County obligations which have been rated. Prospective purchasers of the Bonds are required to make independent determinations as to the credit quality of the Bonds and their appropriateness as an investment.

## NO CONTINUING DISCLOSURE

The Bonds are exempt from the continuing disclosure and other requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The County will not undertake to provide any annual report or to make events notices filings with respect to the Bonds or the security provided therefor.

## MISCELLANEOUS

The purpose of this Official Statement is to provide information to prospective purchasers of the Bonds. Summaries of documents and laws in this Official Statement do not purport to be complete, and reference is made to such documents and laws for full statements of their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Bonds.

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

## APPENDIX A

## SUMMARY OF THE INDENTURE

*This Appendix A contains only a brief summary of the Indenture with respect to the Bonds and a full review should be made of the entire Official Statement, including the cover page and the Appendices. All statements contained in this Appendix A are qualified in their entirety by reference to the entire Official Statement. Terms used herein but not defined herein shall be as defined in the Official Statement and in the Indenture. References to and summaries of provisions of the Indenture do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.*

# APPENDIX B

## ASSESSMENT DIAGRAM

# APPENDIX C

## TABLE OF UNPAID ASSESSMENTS, BOND NUMBERS AND DENOMINATIONS, AND VALUES AND RATIOS

## APPENDIX D

## FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the County, will render its opinion with respect to the Bonds in substantially in the following form:*

Board of Supervisors of the
County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Ladies and Gentlemen:

We have served as bond counsel to the County of Los Angeles, California (the "County") in connection with the issuance of its County Improvement No. 2659-M (Shrode Avenue Sewer Project) 1911 Act Limited Obligation Improvement Bonds, Series 2006 (the "Bonds").

The Bonds are authorized and issued under and pursuant to the provisions of the Improvement Bond Act of 1911, as amended (California Streets and Highways Code Sections 5000 *et seq.*) (the "Bond Act"), and the Indenture, dated as of January 1, 2006 (the "Indenture"), by and among the County, the County Auditor-Controller, as fiscal agent, and the County Treasurer and Tax Collector (the "Treasurer"), as paying agent, to finance the design and construction of sanitary sewers and related work (the "Improvements") located within the unincorporated area of the County known as South Monrovia Island in the vicinity of the Cities of Duarte, Irwindale and Monrovia (the "Assessment District"). Construction of the Improvements, the levy and collection of the assessments, and the legal proceedings of the County relative thereto are undertaken pursuant to the Municipal Improvement Act of 1913, as amended (California Streets and Highways Code Sections 10000 *et seq.*) (the "Assessment Act"). The Bonds are secured by, and represent, unpaid benefit assessments (the "Assessments") levied upon real property within the Assessment District.

The Bonds are dated, mature on the date, bear interest at the rate per annum and are issued in the denominations, all as set forth in the Indenture. The Bonds are issued in fully registered form. The Bonds are subject to redemption prior to their maturity as set forth in the Indenture.

We are of the opinion that:

1. The Indenture has been duly adopted by the County and is valid and binding upon the County and is enforceable in accordance with its terms.

2. Each Bond is issued upon and secured by the unpaid Assessment on the parcels of property in the Assessment District described in said Bond and said unpaid Assessment is an enforceable obligation and valid lien against such parcels of property.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the 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 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 Tax Certificate delivered on the date hereof by the County with respect to the use of proceeds of the Bonds and the investment of certain funds, and other matters affecting the non-inclusion of interest on the Bonds in gross income for Federal income tax purposes under Section 103 of the Code, and (ii) compliance by the County with procedures and covenants set forth in the Tax 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 Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds, irrespective of the date on which such noncompliance occurs or is ascertained.

4. Under existing statutes, interest on the 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 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 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 Bonds and express herein no opinion relating thereto.

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 Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principals of equity (regardless of whether such enforceability is considered in equity or at law).

Very truly yours,