



COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 437
LOS ANGELES, CA 90012



MARK J. SALADINO
TREASURER AND TAX COLLECTOR

November 15, 2011

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

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

50 November 15, 2011

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

**ISSUANCE AND SALE OF COMMUNITY FACILITIES DISTRICT NO. 3 (VALENCIA/NEWHALL AREA)
IMPROVEMENT AREA A SPECIAL TAX REFUNDING BONDS SERIES 2011A (FIFTH DISTRICT)
(3-VOTES)**

SUBJECT

The Treasurer and Tax Collector is seeking authorization for the issuance and sale of Community Facilities District No. 3 (Valencia/Newhall Area) Improvement Area A Special Tax Refunding Bonds, Series 2011A.

IT IS RECOMMENDED THAT YOUR BOARD:

Adopt a Resolution authorizing: a) the issuance and sale of Community Facilities District No. 3 Improvement Area A Special Tax Refunding Bonds, Series 2011A, in an aggregate principal amount not to exceed \$4,000,000; b) the execution and delivery of a First Supplemental Indenture, Bond Purchase Agreement, Escrow Agreement, Continuing Disclosure Certificate and other legal documents required to issue the bonds; and c) the distribution of a Preliminary Official Statement and Final Official Statement in connection with the sale of the bonds.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Resolution provides for the issuance of Community Facilities District No. 3 (Valencia/Newhall Area) Improvement Area A Special Tax Refunding Bonds, Series 2011A (the "Improvement Area A Refunding Bonds"), in an aggregate principal amount not to exceed \$4,000,000. The Treasurer and Tax Collector is requesting approval of certain legal documents in connection with the Improvement Area A Refunding Bonds in order to facilitate the refunding of all currently outstanding Community

Facilities District No. 3 Improvement Area A, Series 1997A Bonds (the "Series 1997A Bonds"). The refunding of the Series 1997A Bonds will result in lower debt service and annual savings to the property owners in Improvement Area A. The Improvement Area A Refunding Bonds shall be issued upon the terms and conditions contained in the original Indenture, as amended and supplemented by a First Supplemental Indenture to be executed pursuant to the current bond sale. The Series 1997A Bonds were originally authorized on June 8, 1989, when your Board approved the formation of the Community Facilities District No. 3 (Valencia/Newhall Area) (the "District") following a landowner election.

Based on current market conditions, the Improvement A Refunding Bonds would be sold at a true interest cost of 2.48%, resulting in more than \$1.7 million in gross savings to property owners. The Improvement Area A Refunding Bonds will be structured with a final maturity date in 2014, which corresponds to the final maturity date of the outstanding Series 1997A Bonds. In addition to the Improvement Area A Refunding Bonds, the Treasurer and Tax Collector will be recommending a similar refunding for the outstanding bonds associated with the District's Improvement Area B. This matter will also be included on the agenda for the November 15, 2011 meeting of your Board.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #1: Organizational Effectiveness through collaborative actions among County departments and other governmental jurisdictions.

FISCAL IMPACT/FINANCING

There will be no fiscal impact to the County budget. All costs of issuance and debt service payments related to the Improvement Area A Refunding Bonds are the responsibility of the property owners in the District's Improvement Area A. There will be no financial recourse to the County resulting from the sale of the Improvement Area A Refunding Bonds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Improvement Area A Refunding Bonds are authorized pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended and commencing with Section 53580 of the Government Code. The Treasurer and Tax Collector is recommending a negotiated sale of the Series 2011A Refunding Bonds, which will provide an effective means to market the credit strengths of this transaction to potential investors and will provide greater flexibility to manage the timing of the bond sale.

Based on the results of a competitive solicitation process, Stifel, Nicolaus & Company, Incorporated (dba Stone & Youngberg), was selected as the underwriter for this transaction. Fulbright & Jaworski will serve as bond counsel, David Taussig & Associates will provide services as a special tax consultant, and U.S. Bank National Association will act as both paying agent and escrow agent.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Not applicable.

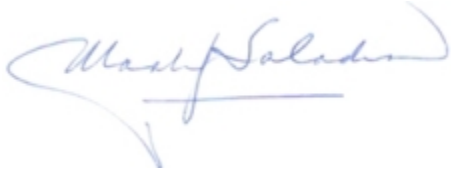
CONCLUSION

Upon approval, it is requested that the Executive Officer-Clerk of the Board of Supervisors return two

The Honorable Board of Supervisors
11/15/2011
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originally executed copies and two certified copies of the Resolution to the Treasurer and Tax Collector (Office of Public Finance).

Respectfully submitted,

A handwritten signature in blue ink, reading "Mark J. Saladino", with a horizontal line underneath the name.

MARK J. SALADINO
Treasurer and Tax Collector

MJS:JP:SM:ad

Enclosures

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller

**COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES**

**RESOLUTION AUTHORIZING THE ISSUANCE OF
SERIES 2011A BONDS OF IMPROVEMENT AREA A OF
COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA) AND PROVIDING FOR
OTHER MATTERS RELATING THERETO**

WHEREAS, on April 25, 1989, the Board of Supervisors (the "Board") of the County of Los Angeles (the "County"), State of California, pursuant to Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code, otherwise known as the "Mello-Roos Community Facilities Act of 1982" (the "Act"), adopted a Resolution declaring its intention to establish Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles (the "District"), including three improvement areas within the District, and to incur bonded indebtedness in Improvement Area A of the District in an aggregate principal amount not to exceed \$23,000,000 for the purpose of financing the construction and acquisition of capital facilities, including certain bridges and roadways, grading, sewers, storm drains, utilities, irrigation and landscaping, and school fees and facilities, together with appurtenances and appurtenant work to serve the area within Improvement Area A and all related incidental expenses incurred in the establishment of the District and the issuance of bonds for Improvement Area A; and

WHEREAS, with respect to each improvement area and pursuant to notice given as provided in the Act, a public hearing was held concerning the formation of the District, the levy of the special tax and the establishment of an appropriations limit therein and the issuance of bonded indebtedness by the District; and

WHEREAS, on June 8, 1989, the Board, following the closing of the public hearing, adopted a Resolution establishing Community Facilities District No. 3 (Valencia/Newhall Area) of the County and approving the proposed rate and method of apportionment of the special tax as to each improvement area therein; and

WHEREAS, a special election was duly and legally held and conducted for Improvement Area A of the District on the 9th day of June, 1989, at which election there was submitted to the qualified voters of Improvement Area A of the District the combined ballot proposition of levying a special tax, of establishing an appropriations limit and of incurring bonded indebtedness, such ballot proposition being unanimously approved by the qualified electors of Improvement Area A of the District; and

WHEREAS, the establishment of the District, the validity of the special tax and the issuance of bonds was the subject of a proceeding, pursuant to Section 860 *et seq.* of the California Code of Civil Procedure, in the Superior Court of the State of California in and for the County of Los Angeles, in the case of *County of Los Angeles v. All Persons, etc., et al.* (Case No. C728049); and

WHEREAS, a Notice of Special Tax Lien has been filed and recorded with the office of the Recorder of the County with regard to all parcels within Improvement Area A of the District in the time and manner required by Section 53328.5 of the Government Code of the State of California; and

WHEREAS, the Board has adopted Ordinance No. 89-0107 on August 1, 1989 providing for the levy of a special tax, in accordance with Section 53340 of the Act; and

WHEREAS, the District acting through the Board previously issued \$20,020,000 aggregate principal amount of Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Tax Bonds, Series 1989A (the “Series 1989A Bonds”); and

WHEREAS, the District acting through the Board previously refunded the Series 1989A Bonds through the issuance of \$18,575,000 aggregate principal amount of Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Tax Refunding Bonds, Series 1997A (the “Series 1997A Bonds”) pursuant to an indenture dated as of April 1, 1997, executed by the District, and by the Treasurer and Tax Collector of the County (the “Treasurer”), as paying agent and the Auditor-Controller of the County (the “Auditor”), as fiscal agent (the “Original Indenture”); and

WHEREAS, the Board desires to provide for the issuance of an additional series of bonds of Improvement Area A of the District to refund all or a portion of the Series 1997A Bonds in an aggregate principal amount of not to exceed \$4,000,000 and to approve all necessary and proper documents and transactions in connection therewith;

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES HEREBY RESOLVES AS FOLLOWS:

Section 1. Definitions. For purposes of this Resolution, the following capitalized terms have the indicated meanings:

“Bond Counsel” means Fulbright & Jaworski L.L.P. in its capacity as bond counsel with respect to the Series 2011A Bonds.

“Chair” means the Chair, Chairman, Chairperson or Mayor of the Board of Supervisors of the County of Los Angeles.

“County Counsel” means the County Counsel of the County, or her deputy.

“Fiscal Year” means the twelve-month period ending on June 30 of each year, or any other annual accounting period hereafter selected and designated by the County as its Fiscal Year in accordance with applicable law.

“Officers of the County” means the Chair, the Executive Officer-Clerk of the Board, the Treasurer, the Auditor, or any designee of the listed officers.

“Special Tax” means, with respect to any parcel within Improvement Area A of the District, the tax authorized to be levied in accordance with the proceedings of the District and an Ordinance of the County authorizing such levy.

“Special Tax Lien” means the lien established as to each parcel in Improvement Area A of the District by recordation of the Notice of Special Tax Lien pursuant to Section 53328.5 of the Act.

All capitalized terms not defined herein shall have the meaning assigned to them in the Original Indenture, as amended and supplemented by the First Supplemental Indenture (as hereinafter defined).

Section 2. Issuance of Additional Bonds. An additional series of bonds of Improvement Area A of the District designated Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Tax Refunding Bonds, Series 2011A (the “Series 2011A Bonds”) is hereby established and authorized to be issued in an aggregate principal amount of not to exceed \$4,000,000. The Series 2011A Bonds shall be issued upon the terms and conditions contained in the Original Indenture, as amended and supplemented by the First Supplemental Indenture (hereinafter referred to), which terms and conditions are by this reference incorporated herein.

Section 3. Manner of Sale of the Series 2011A Bonds. Pursuant to Section 53360.4 of the Act, the Board hereby finds and determines that a private sale of the Series 2011A Bonds would result in a lower overall cost to the District, and the Series 2011A Bonds shall be sold at private sale.

Section 4. Designation of Office to Administer Special Tax. Pursuant to Section 53340.2 of the Act, the Office of the Treasurer is hereby designated as the office which is responsible for annually preparing the current roll of Special Tax levy obligations and for estimating future Special Tax levies.

Section 5. First Supplemental Indenture. The proposed form of the First Supplemental Indenture, dated as of December 1, 2011 (the “First Supplemental Indenture”), amending and supplementing the Original Indenture, pertaining to Improvement Area A of the District to be entered into by the County on behalf of the District, presented to the Board at this meeting, is hereby approved. The Chair, the Executive Officer-Clerk of the Board, the Treasurer, as paying agent, and the Auditor, as fiscal agent, are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the First Supplemental Indenture in substantially said form, with such changes therein as County Counsel and Bond Counsel may require or approve, such requirement or approval to be conclusively evidenced by the execution thereof.

Section 6. Bond Purchase Agreement. The proposed form of Bond Purchase Agreement relating to the Series 2011A Bonds (the “Bond Purchase Agreement”) between the District and Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus (the “Underwriter”) presented to the Board at this meeting, is hereby approved. The Treasurer is hereby authorized and directed, for and in the name of the District, to execute

and deliver to the Underwriter the Bond Purchase Agreement in substantially said form, at a true interest cost on the Series 2011A Bonds, excluding Underwriter's discount but including original issue discount, if any, not to exceed five percent (5.00%), and with such other changes therein as County Counsel and Bond Counsel may require or approve, such requirement or approval to be conclusively evidenced by the execution thereof.

Section 7. Official Statement. The form of the Preliminary Official Statement relating to Improvement Area A of the District with respect to the Series 2011A Bonds (the "Preliminary Official Statement") is presented to the Board at this meeting, and the Underwriter's distribution thereof to prospective purchasers of Series 2011A Bonds is hereby approved. The Preliminary Official Statement, together with such additions thereto and changes therein as are determined necessary by the Treasurer, for and in the name of the District, to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), including, but not limited to, such additions and changes as are necessary to reflect conditions imposed by the agency rating the Series 2011A Bonds or to make the information therein on the owners of the property in Improvement Area A of the District and all other matters accurate and not misleading, and to execute a Certificate (the "15c2-12 Certificate"), for and in the name of the District, to certify the same, are hereby authorized. The preparation of the final Official Statement (the "Official Statement") in the form of the Preliminary Official Statement, together with such changes as are determined necessary by the Treasurer to make the Official Statement complete and accurate as of its date, is hereby authorized. The Underwriter is further authorized to distribute the final Official Statement and any supplement thereto to the purchasers thereof upon its execution on behalf of the District as described above.

Section 8. Continuing Disclosure Certificate. The proposed form of the Continuing Disclosure Certificate, dated as of December 1, 2011 (the "Continuing Disclosure Certificate"), pertaining to Improvement Area A of the District to be entered into by the District, presented to the Board at this meeting, is hereby approved. The Treasurer is hereby authorized and directed, for and in the name of the District, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes therein as County Counsel and Bond Counsel may require or approve, such requirement or approval to be conclusively evidenced by the execution thereof.

Section 9. Escrow Agreement. The proposed form of Escrow Agreement relating to the Series 1997A Bonds (the "1997A Escrow Agreement") presented to the Board at this meeting is hereby approved. The Chair and the Executive Officer-Clerk of the Board are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the 1997A Escrow Agreement in substantially said form, with such changes therein as County Counsel and Bond Counsel may require or approve, such requirement or approval to be conclusively evidenced by the execution thereof.

Section 10. Municipal Bond Insurance. The Treasurer is hereby authorized to apply for and obtain municipal bond insurance for some or all of the Series 2011A Bonds, provided that the Treasurer determines, based upon consultation of the Underwriter, that the present value cost of the insurance is less than the present value of the estimated interest component savings with respect to the Series 2011A Bonds to be insured. The Treasurer is hereby authorized and

directed, for and in the name of the District, to execute and deliver a contract for municipal bond insurance if such contract is deemed desirable, in such form as the Treasurer shall approve as being in the best interests of the District, said execution being conclusive evidence of such approval. The Treasurer, as paying agent, and the Auditor, as fiscal agent, are authorized to execute such further documents and instruments as are necessary or advisable to obtain municipal bond insurance.

Section 11. Designation of Consultant. With respect to the Series 2011A Bonds and in accordance with the policy of the Board, the selection of David Taussig & Associates, Inc., as special tax consultant, is approved.

Section 12. Delegation of Authority. The Officers of the County and/or their designees are, and each of them hereby is, authorized and directed to do any and all things, and to execute and deliver any and all documents said Officers of the County may deem necessary or advisable in order to consummate the issuance of the Series 2011A Bonds and otherwise carry out, give effect to and comply with the terms and intent of this Resolution, the Series 2011A Bonds, the Bond Purchase Agreement, the Continuing Disclosure Certificate, the 1997A Escrow Agreement, the First Supplemental Indenture, the Preliminary Official Statement, the Official Statement, the 15c2-12 Certificate and compliance with Rule 15c2-12.

Section 13. Severability. If any portion of this Resolution is declared illegal, invalid or unenforceable, then such portion or provisions shall be deemed to be severable from this Resolution. Such illegality, invalidity or unenforceability shall not affect the remainder hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Effective Date. This Resolution shall take effect immediately upon its adoption.

The foregoing Resolution was on the 15th day of November, 2011, 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, agencies and authorities for which said Board so acts.



SACHI A. HAMAI, EXECUTIVE OFFICER-
CLERK OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF LOS ANGELES

By Sachelle Amitherman
Deputy

Approved as to form:

ANDREA SHERIDAN ORDIN
COUNTY COUNSEL

By Camryn D. D. [Signature]
Principal Deputy County Counsel

FIRST SUPPLEMENTAL INDENTURE
DATED AS OF DECEMBER 1, 2011

Executed by the
COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES

acting through the

BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES,

as the legislative body,

and by the

TREASURER AND TAX COLLECTOR
OF THE COUNTY OF LOS ANGELES,

as the Paying Agent

and by the

AUDITOR – CONTROLLER
OF THE COUNTY OF LOS ANGELES

as the Fiscal Agent

Community Facilities District No. 3
(Valencia/Newhall Area)
of the County of Los Angeles
Improvement Area A
Special Tax Refunding Bonds
Series 2011A

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FIRST SUPPLEMENTAL INDENTURE

This First Supplemental Indenture (the “First Supplemental Indenture”) dated as of December 1, 2011 is executed by Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles (the “District”) acting through the Board of Supervisors (the “Board of Supervisors”) of the County of Los Angeles (the “County”) of the State of California (the “State”) as the legislative body, by 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 by the Auditor – Controller of the County, as Fiscal Agent (the “Fiscal Agent”) on behalf of the owners of the Bonds.

WITNESSETH:

WHEREAS, pursuant to a resolution entitled “Resolution Establishing Community Facilities District No. 3 of the County of Los Angeles, Providing for Special Taxes To Pay For Certain Public Facilities Within Each Improvement Area Within Such Community Facilities District And Calling a Special Election To Submit To The Qualified Electors Within Each Such Improvement Area The Consolidated Question of Levying Such Special Taxes, Incurring A Bonded Indebtedness Secured By Such Special Taxes And Establishing An Appropriations Limit For Such District” adopted by the Board of Supervisors on June 8, 1989 (the “Resolution of Formation”), a special election was duly held in the District on June 9, 1989; and

WHEREAS, more than two-thirds of the votes cast at the election were cast in favor of incurring bonded indebtedness and levying the special taxes, which authorized the District to issue bonds with respect to Improvement Area A in an aggregate principal amount of not to exceed \$23,000,000; and

WHEREAS, pursuant to a judgment entered in the Superior Court of the State of California in and for the County of Los Angeles on August 2, 1989, the issuance of bonds of the District to be paid by the special tax authorized under the Mello-Roos Community Facilities Act of 1982, constituting Sections 53311 *et seq.* of the California Government Code, as amended (the “Act”), and collected within Improvement Area A with respect to which such bonds are issued, was declared valid and consistent with Articles XIII A and XIII B of the Constitution of the State; and

WHEREAS, in accordance with Section 53340 of the Act, the Board of Supervisors of the County adopted Ordinance No. 89-0107 on August 1, 1989 providing for the levy of a special tax; and

WHEREAS, the District has previously issued \$20,020,000 aggregate principal amount of Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Tax Bonds, Series 1989A (the “Series 1989A Bonds”), secured by a special tax levied within Improvement Area A; and

WHEREAS, the District previously (i) refunded the Series 1989A Bonds through the issuance of \$18,575,000 aggregate principal amount of Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Tax

Bonds, Series 1997A (the "Series 1997A Bonds"), secured by a special tax levied within Improvement Area A, pursuant to an indenture, dated as of April 1, 1997 (the "Indenture"), by and among the District, acting through the Board of Supervisors of the County, the Treasurer and Tax Collector of the County, as paying agent (the "Paying Agent") and the Auditor-Controller of the County, as fiscal agent (the "Fiscal Agent"); and

WHEREAS, Sections 2.12 and 9.01 of the Indenture provide that the District may by supplemental indenture establish one or more additional series of bonds payable from the proceeds of the Special Taxes (as defined in the Indenture) on a parity with all other series of bonds issued under the Indenture; and

WHEREAS, the District has determined to issue \$_____ aggregate principal amount of Improvement Area A Special Tax Refunding Bonds, Series 2011A (the "Series 2011A Bonds") to refund the Series 1997A Bonds; and

WHEREAS, in order to provide for the authentication and delivery of the Series 2011A Bonds from time to time, to establish and declare the terms and conditions upon which the Series 2011A Bonds are to be issued and secured, and to secure the payment of the principal thereof and premium (if any) and interest thereon, the District has authorized the execution and delivery of this First Supplemental Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Series 2011A Bonds, when executed by the District, authenticated and delivered by the Paying Agent and duly issued, the valid, binding and legal limited obligations of the District, and to constitute this First Supplemental Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this First Supplemental Indenture has been in all respects duly authorized;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH:

**ARTICLE I
AUTHORITY AND DEFINITIONS**

Section 1.01. Supplemental Indenture. The First Supplemental Indenture is supplemental to the Indenture.

Section 1.02. Authority for the First Supplemental Indenture. The First Supplemental Indenture is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article II and Article IX of the Indenture.

Section 1.03. Definitions.

(1) Except as provided by the First Supplemental Indenture, all terms which are defined in Section 1.01 of the Indenture shall have the same meanings in the First Supplemental Indenture as such terms are given in said Section 1.01 of the Indenture.

(2) In the First Supplemental Indenture, the following terms shall have the following meanings:

["Bond Insurance Policy" means a municipal bond insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Series 2011A Bonds as provided in a Certificate of the District.]

["Bond Insurer" means a bond insurer for the Series 2011A Bonds as provided in a Certificate of the District.]

"Certificate of the District" means a certificate entered into among the District, the Fiscal Agent and the Paying Agent containing specific provisions applicable to the Series 2011A Bonds.

"Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate of the District, dated as of December 1, 2011, relating to the Series 2011A Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of December 1, 2011, by and among the District, the Paying Agent and Fiscal Agent, as may be amended and supplemented from time to time pursuant to the terms of the Indenture.

"Series 1997A Escrow Agent" means U.S. Bank National Association, a banking association organized and existing under the laws of the United States of America, acting in its capacity as such under the Series 1997A Escrow Agreement, and any successor thereto.

"Series 1997A Escrow Agreement" means the Escrow Agreement, dated as of December 1, 2011, by and between the District, acting through the Board of Supervisors of the County, and the Series 1997A Escrow Agent relating to the Series 1997A Bonds, as amended and supplemented pursuant to the terms thereof.

"Series 1997A Escrow Fund" means the escrow fund established under the Series 1997A Escrow Agreement.

ARTICLE II AUTHORIZATION OF SERIES 2011A BONDS

Section 2.01. Purpose. The Series 2011A Bonds are issued for the purpose of providing funds (i) to refund the Series 1997A Bonds, (ii) for deposit into the Reserve Fund, and (iii) to pay the costs of issuance related to the Series 2011A Bonds.

Section 2.02. Description of Series 2011A Bonds; Interest Rates. A Series of Bonds is hereby created and designated "Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Tax Refunding Bonds, Series 2011A." The Series 2011A Bonds shall be issued in fully registered form in authorized denominations of \$5,000 or any integral multiple thereof. The Series 2011A Bonds shall be issued in the aggregate principal amount of _____ Dollars (\$_____)

and shall mature and be payable on September 1 in the years and in the aggregate principal amounts and shall bear interest at the rates as follows:

Year (September 1)	Principal Amount	Interest Rate
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Principal of, premium (if any) and interest on the Series 2011A Bonds shall be payable in lawful money of the United States of America. The principal of the Series 2011A 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. Interest with respect to each Series 2011A Bond shall accrue from the dated date of the Series 2011A Bonds and shall be payable commencing [March 1, 2012]. Interest on any Series 2011A Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Series 2011A Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the dated date of the Series 2011A Bonds; provided, however, that if at the time of authentication of such Series 2011A Bond, interest is in default, interest on that Series 2011A Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or from the dated date of the Series 2011A Bonds if no interest has been paid or made available for payment. Interest on any Series 2011A Bond shall be paid by check or draft of the Paying Agent mailed by first class mail, postage prepaid, to the person whose name shall appear in the Bond Register as the Owner of such Series 2011A Bond as of the close of business on the Record Date at the address which appears on the Bond Register; provided, however, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Series 2011A Bonds, upon written request of such Owner to the Paying Agent 20 days prior to any Interest Payment Date, such Interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the continental United States of America. Interest with respect to each Series 2011A Bond shall be computed using a year of 360 days comprised of twelve 30-day months.

The Series 2011A Bonds shall be subject to redemption as provided in Sections 2.04 and 2.05 of this First Supplemental Indenture and in Article III of the Original Indenture.

Section 2.03. Form of Series 2011A Bonds and Certificate of Authentication and Registration. The Series 2011A Bonds and the certificate of authentication and registration thereon shall be substantially in the form attached hereto as Exhibit A and incorporated herein by this reference.

Section 2.04. No Optional Redemption. The Series 2011A Bonds are not subject to call and redemption prior to maturity.

Section 2.05. Deposits to Accounts from Revenues of the District and proceeds of Series 1997A Bonds. The following revenues of the District and proceeds of the Series 1997A Bonds held by the Fiscal Agent will be deposited as follows:

(1) An amount equal to \$_____ in the Account of the Special Tax Fund will be deposited into the Series 1997A Escrow Fund; and

(2) An amount equal to \$_____ in the Reserve Fund will be deposited into the Series 1997A Escrow Fund.

Section 2.06. Disposition of Series 2011A Bonds Proceeds. The proceeds of the sale of the Series 2011A Bonds shall be received by the Fiscal Agent and deposited as follows:

(1) [An amount equal to \$_____, representing the premium on the Bond Insurance Policy shall be paid to the Bond Insurer (or applied as a credit against Bond proceeds if paid by the Underwriter)];

(2) An amount equal to \$_____ shall be placed in the Series 1997A Escrow Fund in accordance with the Series 1997A Escrow Agreement;

(3) An amount equal to \$_____, representing the Costs of Issuance of the Series 2011A Bonds, shall be placed in the Cost of Issuance Fund; and

(4) An amount equal to \$_____, representing the Reserve Requirement for the Series 2011A Bonds, shall be placed in the Reserve Fund.

Section 2.07. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture or this First Supplemental Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Fiscal Agent may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Series 2011A Bonds, shall) or any such Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, “Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to or to dispose of ownership of, any Series 2011A Bonds (including persons holding Series 2011A Bonds through nominees, depositories or other intermediaries).

**ARTICLE III
AMENDMENTS TO INDENTURE**

Section 3.01. Amendment to Section 1.01 of the Indenture. The definition of “Authorized Investments” is amended to add the following:

13. the Los Angeles County Treasury Pool.

Section 3.02. Amendment to Article II of the Indenture. Section 2.12 has been amended in its entirety as follows:

Section 2.12. NO ADDITIONAL BONDS. The District covenants not to issue any other bonds or any other evidence of indebtedness in addition to the Series 2011A Bonds payable from and secured by the proceeds of the Special Taxes.

Section 3.03. Amendment to Article VI of the Indenture. Sections 6.12 and 6.13 are added to the Indenture as follows:

Section 6.12. REDUCTION OF MAXIMUM SPECIAL TAXES. The District hereby finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. The District hereby determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in Improvement Area A below the levels provided in this Section would interfere with the timely retirement of the Bonds. The District determines it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District hereby does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for Improvement Area A, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in Improvement Area A as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method of Apportionment of Special Taxes then in effect for Improvement Area A) in each Bond Year for any Bonds Outstanding will equal at least 110% of the sum on the estimated Administrative Expenses and debt service in that Bond Year on all Bonds to remain Outstanding after the reduction is approved, and (ii) the District hereby finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds.

Section 6.13. COVENANTS TO DEFEND. The District hereby covenants that in the event that any initiative is adopted by the qualified electors in Improvement Area A which purports to reduce the maximum Special Tax below the levels specified in Section 6.12 above or to limit the power of the District to levy the Special Taxes for the purposes set forth in Section 6.03, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

ARTICLE IV
INDENTURE TO REMAIN IN EFFECT; COUNTERPARTS

Section 4.01. Indenture to Remain in Effect. This First Supplemental Indenture is entered into to provide for the issuance of the Series 2011A Bonds. As supplemented hereby, the Indenture is in all respects ratified and confirmed, and the Indenture as so supplemented hereby shall be read and construed as one and the same instrument, and shall remain in full force and effect.

Section 4.02. Execution in Counterparts. This First Supplemental Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and all such counterparts shall constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

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

COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA) OF THE
COUNTY OF LOS ANGELES ACTING
THROUGH THE BOARD OF SUPERVISORS
OF THE COUNTY OF LOS ANGELES, AS
THE LEGISLATIVE BODY

By: _____
Mayor

ATTEST:

SACHI A. HAMAI,
EXECUTIVE OFFICER-CLERK
OF THE BOARD OF SUPERVISORS

By: _____
Deputy

TREASURER AND TAX COLLECTOR OF
THE COUNTY OF LOS ANGELES, AS THE
PAYING AGENT

By: _____
Mark J. Saladino

AUDITOR-CONTROLLER OF THE
COUNTY OF LOS ANGELES, AS THE
FISCAL AGENT

By: _____
Wendy L. Watanabe

[EXECUTION PAGE OF FIRST SUPPLEMENTAL INDENTURE]

EXHIBIT A

FORM OF SERIES 2011A BOND

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES

IMPROVEMENT AREA A
SPECIAL TAX REFUNDING BOND, SERIES 2011A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP NO.</u>
%		December __, 2011	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: Dollars

COMMUNITY FACILITIES DISTRICT NO. 3 (VALENCIA/NEWHALL AREA) OF THE COUNTY OF LOS ANGELES (the "District") situated in the County of Los Angeles (the "County"), State of California (the "State"), FOR VALUE RECEIVED, hereby promises to pay, solely from Special Taxes (as hereafter defined) to be collected in Improvement Area A in the District and certain other moneys to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Dated Date semiannually on each March 1 and September 1, commencing [March 1, 2012] (each an "Interest Payment Date") at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of and premium, if any, on this Bond (as hereinafter defined) are payable to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at maturity or redemption at the office of U.S. Bank National Association, as paying agent (the "Paying Agent"), in Los Angeles, California for the Treasurer and Tax Collector of the County of Los Angeles. Interest on this Bond shall be payable by check or draft of the Paying Agent mailed by first class mail, postage prepaid, to the registered owner hereof as of the close of business on the 15th calendar day of the month preceding the Interest Payment Date (the "Record Date") at such registered owner's address as it appears on the registration books maintained by the Paying Agent (the "Bond Register"); provided, however, that in the case of a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon written request of such

registered owner to the Paying Agent 20 days prior to any Interest Payment Date, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the continental United States of America.

This Bond is one of a duly authorized issue of “Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Tax Refunding Bonds, Series 2011A” (the “Bonds”) issued in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, constituting Sections 53311 *et seq.* of the California Government Code, as amended (the “Act”). The issuance of the Bonds and the terms and conditions thereof are provided for by an Indenture, dated as of April 1, 1997, executed by the District, the Paying Agent and by the Auditor-Controller of the County, as fiscal agent (the “Fiscal Agent”), as amended and supplemented by the First Supplemental Indenture, dated as of December 1, 2011, executed by the District, the Paying Agent and the Fiscal Agent (the “Indenture”) and by this reference incorporates the Indenture herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Indenture is authorized under, this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Indenture, the principal of, premium, if any, and interest on this Bond are payable solely from, and shall be secured by a pledge of and lien upon (less certain administrative expense), (i) the annual special taxes authorized under the Act to be levied on property lying within Improvement Area A of the District (the “Special Taxes”), (ii) proceeds from the sale of property collected pursuant to the foreclosure provisions of the Act and the Indenture for the delinquency of such Special Taxes and (iii) certain other moneys as described in the Indenture.

Interest on this Bond shall be payable from the Interest Payment Date next preceding the date of authentication of this Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the dated date set forth above; provided, however, that if at the time of authentication of this Bond, interest is in default, interest on this 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 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 this Bond shall be computed using a year of 360 days comprised of twelve 30-day months.

Any tax for the payment hereof shall be limited to the Special Taxes, except to the extent that provision for payment has been made by the legislative body of the District, as may be permitted by law. The Bonds do not constitute obligations of the County or the District for which the County or the District is obligated to levy or pledge, or has levied or pledged, general or special taxation other than as described hereinabove. The District has covenanted for the benefit of the owners of the Bonds that, if the Fiscal Agent determines at any time that the

balance in the Reserve Fund, created under the Indenture is less than the Reserve Requirement, as defined in the Indenture, as the result of the failure by one or more owners of real property to pay Special Taxes when due, it will commence or cause to be commenced appropriate foreclosure proceedings and diligently pursue or cause to be diligently pursued to completion such foreclosure proceedings as may be necessary to restore the Reserve Fund balance to the Reserve Requirement.

The Series 2011A Bonds are not subject to call and redemption prior to maturity.

This Bond shall be issued only in fully registered form in the denomination of \$5,000 or any integral multiple thereof.

Each registration and transfer of registration of this Bond shall be entered by the Paying Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication and registration endorsed hereon.

No transfer hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided. The principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Paying Agent may require the Bond owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The rights and obligations of the District and of the registered owners of the Bonds may be amended at any time, and in certain cases without notice to or the consent of the registered owners, to the extent and upon the terms provided in the Indenture.

The Indenture contains provisions permitting the District to make provisions for the payment of the interest on, and the principal and premium, if any, of any of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Indenture.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Paying Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF the Board of Supervisors of the County of Los Angeles, as the legislative body of Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles, has caused this Bond to be dated as of the __ day of December, 2011, to be signed by the Mayor by manual or facsimile signature and attested by the Executive Officer-Clerk of the Board of Supervisors by manual or facsimile signature.

COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA) OF THE
COUNTY OF LOS ANGELES ACTING
THROUGH THE BOARD OF SUPERVISORS
OF THE COUNTY OF LOS ANGELES, AS
THE LEGISLATIVE BODY

Mayor

ATTEST:

[Seal]

Executive Officer-Clerk of the Board of
Supervisors

CERTIFICATE OF AUTHENTICATION

This is one of the bonds described in the within mentioned Indenture and authenticated and registered on _____, 2011.

U.S. BANK NATIONAL ASSOCIATION, as
Paying Agent

By: _____
Authorized Signatory

[STATEMENT OF INSURANCE]

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 with 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.: _____

[ATTACH FORM OF OPINION OF BOND COUNSEL]

\$ _____
**COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES
IMPROVEMENT AREA A SPECIAL TAX REFUNDING BONDS
SERIES 2011A**

BOND PURCHASE AGREEMENT

_____, 2011

Community Facilities District No. 3
(Valencia / Newhall Area)
of the County of Los Angeles
Los Angeles, California

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter") offers to enter into this Bond Purchase Agreement with the Community Facilities District No. 3 (Valencia / Newhall Area) of the County of Los Angeles (the "District") which, upon acceptance, will be binding upon the District and upon the Underwriter. This offer is made subject to acceptance of it by the District on the date hereof, and if not accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District.

The District acknowledges and agrees that: (i) the purchase and sale of the Bonds (defined below) pursuant to this Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as a Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); and (iv) the District has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter agrees to purchase from the District, and the District agrees to sell to the Underwriter, all (but not less than all) of the Community Facilities District No. 3 (Valencia / Newhall Area) of the County of Los Angeles Improvement Area A Special Tax Refunding Bonds, Series 2011A (the "Bonds") in the aggregate principal amount specified in

Exhibit A hereto. The Bonds shall be dated the date of their delivery, and bear interest (payable semiannually on March 1 and September 1 in each year), commencing on March 1, 2012, at the rates per annum and maturing on the dates and in the amounts as set forth in said Exhibit A. The purchase price for the Bonds shall be the amount specified as such in Exhibit A hereto.

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and subject to redemption as provided in, the Indenture, dated as of April 1, 1997 (the "Bond Indenture"), approved by the District in a resolution (the "Resolution"), adopted by the Board of Supervisors of the County of Los Angeles (the "County") sitting as the legislative body of the District (the "Board of Supervisors") on _____, as amended by the First Supplemental Indenture, dated as of December 1, 2011 (the "First Supplemental Indenture" and, together with the Bond Indenture, the "Indenture"), executed by the District, acting through the Board of Supervisors, the Treasurer and Tax Collector of the County, as paying agent, and the Auditor-Controller of the County, as fiscal agent, which was approved by the District in a resolution (the "Resolution"), adopted by the Board of Supervisors sitting as the legislative body of the District on _____, 2011. U.S. Bank National Association will serve as paying agent under the Indenture by delegation of the Treasurer and Tax Collector of the County. The Bonds and interest thereon will be payable from a special tax (the "Special Tax") levied and collected in accordance with the Indenture and an ordinance adopted by the Board of Supervisors on _____ (the "Ordinance").

Proceeds of the sale of the Bonds will be used in accordance with the Indenture and the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the "Act"), to refund the District's outstanding Improvement Area A Special Tax Bonds, Series 1997A (the "Series 1997A Bonds") in accordance with an Escrow Agreement, dated as of December 1, 2011 (the "Escrow Agreement"), by and between the District and U.S. Bank National Association, as Escrow Agent. The Bonds are being issued in accordance with the provisions of the Indenture, the Act and Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Law").

(b) Pursuant to the authorization of the District, the Underwriter has distributed copies of the Preliminary Official Statement, dated November __, 2011, relating to the Bonds, which, together with the cover page and all appendices thereto, is herein called the "Preliminary Official Statement" and which, as amended by the District with the prior approval of the Underwriter, will be referred to herein as the "Official Statement." The District hereby ratifies the use by the Underwriter of the Preliminary Official Statement and authorizes the Underwriter to use and distribute the Official Statement, the Indenture, the other documents or contracts to which the County or the District is a party, including this Bond Purchase Agreement, and all information contained therein, and all other documents, certificates and statements furnished by the County or the District to the Underwriter in connection with the transactions contemplated by this Bond Purchase Agreement, in connection with the offer and sale of the Bonds by the Underwriter. At or prior to the Closing Date (described below), the District shall have authorized, executed and delivered the Continuing Disclosure Certificate, dated as of the Closing Date (the "Continuing Disclosure Certificate"), which complies with paragraph (b)(1) of Section 240.15c2-12 in Chapter II of Title 17 of the Code of Federal Regulations ("Rule 15c2-12"), substantially in the form described in the Official Statement.

(c) At 8:00 A.M., Los Angeles time, on December __, 2011, or at such earlier time or date as shall be agreed upon by the Underwriter and the District (such time and date being

herein referred to as the “Closing Date”), the District will deliver to the Underwriter through the book-entry system of The Depository Trust Company, the Bonds in temporary or definitive form, bearing CUSIP numbers, and duly executed by the officers of the District as provided in the Indenture and with the facsimile seal of the County printed thereon. Additionally, the District will deliver to the Underwriter at the offices of Fulbright & Jaworski L.L.P. (“Bond Counsel”), in Los Angeles, California, or such other location in Los Angeles, California, as may be agreed to by the District and the Underwriter, the other documents herein mentioned; and the Underwriter shall accept such delivery and pay the purchase price of the Bonds in immediately available funds (such delivery and payment being herein referred to as the “Closing”). The Bonds shall be in fully registered form, registered in the name of CEDE & Co., as nominee of The Depository Trust Company. The District will make such Bonds available for inspection by the Underwriter not later than the business day prior to the Closing.

2. Representations, Warranties and Agreements of the District. The District represents, warrants and covenants to and agrees with the Underwriter that:

(a) The District is duly organized and validly existing as a community facilities district under the laws of the State of California and has, and at the Closing Date will have, as the case may be, full legal right, power and authority (i) to execute, deliver and perform its obligations under this Bond Purchase Agreement and to carry out all transactions contemplated hereby, (ii) to issue, sell and deliver the Bonds to the Underwriter pursuant to the Resolution and the Indenture as provided herein, and (iii) to carry out, give effect to and consummate the transactions contemplated by the Resolution, the resolution forming the District adopted by the Board of Supervisors on June 8, 1989 (the “Resolution of Formation”), the Ordinance, the Official Statement, the Indenture, the Continuing Disclosure Certificate, this Bond Purchase Agreement and the Escrow Agreement;

(b) The District has complied, and will at the Closing Date be in compliance, in all respects with the Resolution, the Resolution of Formation, the Indenture, the Act, the Law, the Continuing Disclosure Certificate, this Bond Purchase Agreement and the Escrow Agreement and the District will continue to comply with the covenants of the District contained in the Indenture;

(c) The Board of Supervisors has duly and validly: (i) adopted the Resolution, the Resolution of Formation and the Ordinance; (ii) called, held and conducted in accordance with all requirements of the Act an election to approve the levy of the Special Taxes; (iii) authorized and approved the execution and delivery of the Bonds, the Indenture, the Continuing Disclosure Certificate, this Bond Purchase Agreement and the Escrow Agreement; (iv) authorized the preparation and delivery of the Official Statement; and (v) authorized and approved the performance by the County and the District of their respective obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of said documents (including, without limitation, the collection of the Special Tax), and at the Closing Date, the Resolution, the Resolution of Formation, the Indenture, the Ordinance, the Bonds, the Continuing Disclosure Certificate, this Bond Purchase Agreement and the Escrow Agreement will constitute the valid, legal and binding obligations of the District, and (assuming due authorization, execution and delivery by other parties thereto, where necessary) will be enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors’ rights in general and to the application of equitable principles if equitable remedies are sought;

(d) To the best of its knowledge, the District is not in breach of or default under any applicable law or administrative rule or regulation of the State of California (the “State”), or of any department, division, agency or instrumentality thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the performance by the District of its obligations under the Bonds, the Resolution, the Indenture, the Resolution of Formation, the Ordinance, the Continuing Disclosure Certificate, this Bond Purchase Agreement, or the Escrow Agreement, and compliance with the provisions of each thereof, will not in any respect material to the transactions referred to herein or contemplated hereby, conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, or of any department, division, agency or instrumentality thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the District or the County, as the case may be, is a party or is otherwise subject or bound;

(e) All approvals, consents, authorizations, elections and orders of or filings or registrations with any State governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the District of its obligations hereunder, or under the Resolution, the Indenture, the Resolution of Formation, the Ordinance, the Bonds, the Continuing Disclosure Certificate or the Escrow Agreement, have been or will be obtained and are in full force and effect, except that the District provides no representation regarding compliance with blue sky or other securities laws or regulations whatsoever;

(f) The Special Tax constituting the security for the Bonds has been duly and lawfully authorized and may be levied under the Act and the Constitution and the applicable laws of the State of California, and such Special Tax constitutes a valid and legally binding lien on the properties on which it has been levied;

(g) Until the date which is twenty-five (25) days after the “end of the underwriting period” (as hereinafter defined), if any event shall occur of which the District is aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement, in light of the circumstances existing at such time, not misleading, the District shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter’s opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the District shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term “end of the underwriting period” means the later of such time as (i) the District delivers the Bonds to the Underwriter, or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the “end of the underwriting period” shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the District at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the “end of the underwriting period”;

(h) The Indenture creates a valid pledge of the Net Taxes (as defined in the Indenture) and the moneys in the Bond Service Fund, the Reserve Fund, the Redemption Fund, and

the Special Tax Fund established pursuant to the Indenture, including the investments thereof, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein;

(i) As of the time of acceptance hereof, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending in which service of process has been completed against the District or the County or, to the best knowledge of the District, threatened against the District or the County (i) which would materially adversely affect the ability of either the County or the District to perform its obligations under the Bonds, the Indenture, the Resolution of Formation, the Ordinance, the Continuing Disclosure Certificate or the Escrow Agreement, or (ii) seeking to restrain or to enjoin the development of the land within the District, the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture and the Escrow Agreement, or the collection or application of the Special Tax pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Resolution of Formation, the Indenture, the Ordinance, the Continuing Disclosure Certificate, this Bond Purchase Agreement or the Escrow Agreement, any other instruments relating to the development of any of the property within the District, or any action of the District contemplated by any of said documents or (iii) in any way contesting the completeness or accuracy of the Preliminary Official Statement or the powers or authority of the County or the District with respect to the Bonds, the Resolution, the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate, the Resolution of Formation and the Ordinance or any action of the County or the District contemplated by any of said documents; or (iv) which alleges that interest on the Bonds is not excludable from gross income for federal income tax purposes or is not exempt from California personal income taxation;

(j) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter to qualify the Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, the District shall not be required to register as a dealer or a broker of securities nor shall the District be required to consent to service of process or jurisdiction or qualify to do business in any jurisdiction or to expend funds for this purpose;

(k) Any certificate signed by any authorized official of the District authorized to do so shall be deemed a representation and warranty of the District to the Underwriter as to the statements made therein;

(l) The District will apply the proceeds of the Bonds in accordance with the Indenture and the Escrow Agreement and as described in the Official Statement;

(m) The information contained in the Preliminary Official Statement was, and in the Official Statement (other than information relating to The Depository Trust Company and its book-entry-only system, as to which no view is expressed) is and on the Closing Date shall be, true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(n) The District has never failed to comply in any material respect with any of its previous undertakings with respect to Rule 15c2-12; and

(o) The Preliminary Official Statement heretofore delivered to the Underwriter is deemed final by the District as of its date except for the omission of such information as is permitted to be omitted in accordance with Rule 15c2-12. The District hereby covenants and agrees that, within seven (7) business days from the date hereof, or upon reasonable written notice from the Underwriter within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the District shall cause a final printed form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

3. Representations, Warranties, Covenants and Agreements of the Underwriter. The Underwriter represents, warrants, covenants and agrees with the District as follows:

(a) To file a copy of the Official Statement, including any supplements prepared by the District, with the Municipal Securities Rulemaking Board, and

(b) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

4. Conditions to the Obligations of the Underwriter. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the District contained herein, as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the County and the District made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the District of its respective obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) At the Closing Date, the Resolution, the Resolution of Formation, the Ordinance, the Indenture, the Continuing Disclosure Certificate, the Escrow Agreement, and this Bond Purchase Agreement shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Bond Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate;

(b) Between the date hereof and the Closing Date, the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the District terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

(1) legislation enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such

legislation had been referred for consideration or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department or the Internal Revenue Service of the United States of America, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon the interest as would be received by the holders of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof;

(2) legislation enacted (or resolution passed) by the Congress of the United States of America, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underwriting arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(3) a general suspension of trading in securities on the New York Stock Exchange, or a general banking moratorium declared by Federal, State of New York or State of California officials authorized to do so, or a war or other national calamity;

(4) any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, its property, income, securities (or interest thereon), the validity or enforceability of the Special Tax;

(5) any event occurring, or information becoming known, which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or results in the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(6) any rating of the Bonds shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds.

(c) On the Closing Date, the Underwriter shall have received counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) The Resolution, the Resolution of Formation and the Ordinance, together with a certificate dated as of the Closing Date of a Deputy Clerk of the Board of Supervisors to the effect that each is a true, correct and complete copy of the one duly adopted by the Board of Supervisors;

Indenture;

(2) An executed copy of the Bond Indenture and the First Supplemental

(3) A copy of the Official Statement;

(4) An executed copy of the Escrow Agreement;

(5) An executed copy of the Continuing Disclosure Certificate of the District, dated the date of the Closing;

(6) An unqualified approving opinion, dated the Closing Date and addressed to the District, of Bond Counsel, in the form attached to the Preliminary Official Statement as Appendix B and a letter of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion addressed to the District may be relied upon by the Underwriter to the same extent as if such opinion was addressed to it;

(7) A supplemental opinion, dated the Closing Date and addressed to the District and the Underwriter, of Bond Counsel to the effect that (i) the Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District, and, assuming the execution and delivery by the other parties thereto as appropriate, the Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate constitute the legally valid and binding agreements of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law); (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; (iii) the information contained in the Official Statement with respect to the Bonds under the captions "THE SERIES 2011A BONDS," "REFUNDING PLAN," "SECURITY FOR THE SERIES 2011A BONDS," "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and "CONCLUDING INFORMATION—Tax Matters" (except information relating to The Depository Trust Company and its book-entry system, as to which no opinion need be expressed) is accurate in all material respects; (iv) the Special Taxes have been duly and validly authorized in accordance with the provisions of the Act and, when levied in accordance with the Act and the Ordinance, the Special Taxes shall represent a valid lien on the respective properties against which the Special Taxes have been levied; and (v) the Refunded Bonds set forth in the Escrow Agreement, have been defeased and are no longer outstanding in accordance with the terms of the Indenture, pursuant to which the Refunded Bonds were issued. In rendering the opinion set forth in clause (v), Bond Counsel may expressly assume that all actions required to be taken under the Indenture have been taken and that all covenants and agreements contained in the Indenture have been complied with;

(8) An opinion, dated the Closing Date and addressed to the Underwriter, of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, counsel for the Underwriter, to the effect that (i) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended and (ii) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the County, County Counsel, Bond Counsel, representatives of the Underwriter and others, and their examination of

certain documents, no information has come to the attention of the attorneys in the firm providing legal services to the Underwriter with respect to the Bonds which would lead them to believe that the Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to the Appendices of the Official Statement or any other financial, statistical and demographic data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, and information about book-entry or the DTC contained in the Official Statement);

(9) A Certificate, dated the Closing Date and signed by an authorized representative of the District and the County, ratifying the use and distribution by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the Bonds and certifying that (i) the representations and warranties of the District contained in Section 2 hereof are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best of his or her knowledge, no event has occurred since the date of the Official Statement affecting the matters contained therein which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make the statements and information contained in the Official Statement with respect to the District and the County not misleading in any material respect, and the Bonds, the Indenture and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the District has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under this Bond Purchase Agreement, the Resolution, the Resolution of Formation, the Ordinance, the Escrow Agreement and the Indenture at or prior to the Closing Date;

(10) An opinion, dated the Closing Date and addressed to the Underwriter, of counsel to the District and the County, to the effect that (i) to the best of her knowledge, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending in which service of process has been completed against the District or the County, or threatened against the County or the District which would materially adversely affect the ability of the District to perform its obligations hereunder or under the Bonds, the Indenture, the Resolution, the Resolution of Formation, the Ordinance, the Continuing Disclosure Certificate or the Escrow Agreement, or seeking to restrain or to enjoin the issuance, sale, delivery of the Bonds or the exclusion from gross income for federal income tax purposes or State of California personal income taxes of interest on the Bonds, or the application of the proceeds thereof in accordance with the Indenture and the Escrow Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Resolution of Formation, the Indenture, the Ordinance, the Continuing Disclosure Certificate, the Escrow Agreement or this Bond Purchase Agreement or the accuracy of the Official Statement, or any action of the County or the District contemplated by any of said documents; (ii) the County is duly organized and validly existing as a political subdivision under the Constitution and laws of the State of California and the District is duly organized and validly existing as a community facilities district under the laws of the State of California, with, as the case may be, full legal right, power and authority to issue the Bonds and to perform all of its obligations under this Bond Purchase Agreement, the Bonds, the Indenture, the Continuing Disclosure Certificate and the Escrow Agreement; (iii) except for the adoption of the resolution each year approving the annual levy of the Special Tax by the County, acting as the legislative body of the District, the District has obtained all approvals, consents, authorizations,

elections and orders of or filings or registrations with any State governmental authority, board, agency or commission having jurisdiction which constitute a condition precedent to the levy of the Special Tax, the issuance of the Bonds or the performance by the District of its obligations thereunder or under the Indenture or the Escrow Agreement, except that no opinion need be expressed regarding compliance with blue sky or other securities laws or regulations, whatsoever; (iv) the Board of Supervisors has duly and validly adopted the Resolution, the Resolution of Formation and the Ordinance at meetings of the Board of Supervisors which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption, and the Resolution, the Resolution of Formation, the Ordinance, the Indenture and the Escrow Agreement are now in full force and effect and the same have not been amended; and (v) the District has duly authorized, executed and delivered this Bond Purchase Agreement, the Indenture, the Escrow Agreement and the Bonds and has duly authorized the preparation and delivery of the Official Statement, and this Bond Purchase Agreement, the Bonds, the Continuing Disclosure Certificate, the Escrow Agreement, the Continuing Disclosure Certificate and the Indenture constitute legal, valid and binding agreements of the District, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought and to limitations on remedies imposed in actions against public entities in the State of California;

(11) A tax certificate of the District, in a form acceptable to Bond Counsel;

(12) A certificate of the District executed by an authorized representative thereof, dated the Closing Date and in form and substance satisfactory to the Underwriter and counsel to the Underwriter, to the effect that the District is in full compliance with all of its prior undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5);

(13) A certificate from David Taussig & Associates, Inc. to the effect that (i) the Special Tax, if applied and collected in accordance with the terms set forth in the Rate and Method of Apportionment of Special Tax of the District, would generate an amount at least equal to debt service on the Bonds, (ii) the Special Taxes, if collected in the maximum amounts permitted pursuant to the Rate and Method of Apportionment of Special Tax on the date hereof, would generate at least 115% of the maximum debt service on the Bonds, based on such assumptions and qualifications as shall be acceptable to the Underwriter, and (iii) the information supplied by such firm for use in the sections captioned "SECURITY FOR THE SERIES 2011A BONDS—The Special Taxes," "THE IMPROVEMENT AREA—Rate and Method of Apportionment of Special Tax," "—Special Tax Levy," "—Property Owners," and "—Estimated Debt Service Coverage," of the Official Statement is true and correct as of the date of the Official Statement and as of the Closing Date;

(14) An executed copy of the paying agency agreement between the Treasurer and Tax Collector of the County and U.S. Bank National Association; and

(15) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the statements and information contained in the Preliminary Official Statement and the Official Statement, of the District's representations and warranties contained herein and the due performance or satisfaction by the District at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the District

in connection with the transactions contemplated hereby and by the Resolution and the Official Statement.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the District shall be under any further obligation hereunder, except that the respective obligations of the District and the Underwriter set forth in Section 6 hereof shall continue in full force and effect.

5. Conditions of the District's Obligations. The District's obligations hereunder are subject to the Underwriter's performance of their obligations hereunder, and are also subject to the following conditions:

(a) As of the Closing Date, no litigation shall be pending in which service of process has been completed against the District or, to the knowledge of the duly authorized officer of the District executing the certificate referred to in Section 4(c)(9) hereof, threatened, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds, the Resolution, the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate or this Bond Purchase Agreement or the existence of powers of the District; and

(b) As of the Closing Date, the District shall receive the approving opinions of Bond Counsel referred to in Section 4(c)(6) hereof, dated as of the Closing Date, addressed to the District, together with a reliance letter addressed to the Underwriter.

6. Expenses.

Whether or not the Bonds are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (out of any legally available funds of the District) all expenses incident to the performance of the District's obligations hereunder, including, but not limited to, the cost of printing and delivering the Bonds to the Underwriter, the cost of preparation, printing (and/or word processing and reproduction), distribution and delivery of the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate and all other agreements and documents contemplated hereby (and drafts of any thereof); the cost of printing the Preliminary Official Statement and the Official Statement in such reasonable quantities as requested by the Underwriter; and the fees and disbursements of the fiscal agent and registrar for the Bonds, Bond Counsel, the Escrow Agent, any accountants, engineers or any other experts or consultants the County or the District have retained in connection with the Bonds; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, the cost of preparation of any "blue sky" or legal investment memoranda and this Bond Purchase Agreement; expenses to qualify the Bonds for sale under any "blue sky" or other state securities laws; CDIAC fees and all other expenses incurred by the Underwriter in connection with their public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

7. Notices. Any notice or other communication to be given to the District under this Bond Purchase Agreement may be given by delivering the same in writing to the Treasurer and Tax Collector, Kenneth Hahn Hall of Administration, 500 West Temple Street, Room 432, Los Angeles, California 90012, Attention: Director of Public Finance; and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to Stifel Nicolaus & Company, Incorporated, 515 South Figueroa Street, Suite 1800, Los Angeles, California 90017, Attention: Steve Heaney.

8. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the District and the Underwriter (including their successors or assigns), and no other person shall acquire or have any right hereunder or by virtue hereof.

9. Survival of Representations and Warranties. The representations and warranties of the District set forth in or made pursuant to this Bond Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Bond Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District and regardless of delivery of and payment for the Bonds.

10. Effective. This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance. This Bond Purchase Agreement may be signed in counterparts by each party.

11. No Prior Agreements. This Bond Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds for the District.

12. Governing Law. This Purchase Contract shall be governed by the laws of the State of California.

Very truly yours,

STIFEL NICOLAUS & COMPANY,
INCORPORATED

By: _____
Authorized Representative

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN,
County Counsel

By: _____
Principal Deputy County Counsel

ACCEPTED: _____, 2011 at _____, __.m.

COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA / NEWHALL AREA) OF THE
COUNTY OF LOS ANGELES

By. _____
Treasurer and Tax Collector of the
County of Los Angeles

EXHIBIT A

MATURITY SCHEDULE

\$ _____
**COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA / NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES
IMPROVEMENT AREA A SPECIAL TAX REFUNDING BONDS
SERIES 2011A**

<i><u>Maturity Date</u></i> <i><u>(September 1)</u></i>	<i><u>Principal</u></i> <i><u>Amount</u></i>	<i><u>Interest Rate</u></i>	<i><u>Price</u></i>
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2025			

The purchase price of the Bonds shall be \$ _____ (representing the principal amount of the Bonds in the amount of \$ _____, less an Underwriter's discount of \$ _____, plus/less premium/discount of \$ _____).

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of 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.

PRELIMINARY OFFICIAL STATEMENT DATED AS OF _____, 2011

NEW ISSUE-BOOK-ENTRY-ONLY

NO RATING

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law interest on the Series 2011A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes and is not an item of preference under section 57(a) of the Code for purposes of the federal alternative minimum tax. See, however, "CONCLUDING INFORMATION—Tax Matters" herein regarding certain other tax considerations.

\$3,345,000*

**COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES
IMPROVEMENT AREA A SPECIAL TAX REFUNDING BONDS
SERIES 2011A**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles (the "District") Improvement Area A Special Tax Refunding Bonds, Series 2011A (the "Series 2011A Bonds") are being issued by the District on behalf of Improvement Area A of the District ("Improvement Area A") to (i) refinance and defease the District's Improvement Area A Special Tax Bonds Series 1997A currently outstanding in the aggregate principal amount of \$4,455,000, (ii) fund the Reserve Fund, and (iii) pay for costs of issuance incurred in connection with the issuance of the Series 2011A Bonds. See "THE REFUNDING PLAN."

The District is located in the northern portion of the County of Los Angeles, California (the "County"). Improvement Area A consists of a portion of the master planned community known as "Stevenson Ranch" and consists of approximately 270 net acres of taxable land consisting of 1,017 completed single-family detached dwelling units and 204 attached homes.

The Series 2011A Bonds are authorized to be issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 as amended (being Section 53311 *et seq.* of the Government Code of the State of California) (the "Act"), a resolution (the "Resolution") adopted on _____, 2011 by the Board of Supervisors (the "Board") of the County, acting as the legislative body of the District, and the Indenture, dated as of April 1, 1997 (the "Bond Indenture"), as amended by the First Supplemental Indenture, dated as of December 1, 2011 (the "First Supplemental Indenture" and, together with the Bond Indenture, the "Indenture"), executed by the District, acting through the Board as the legislative body, the Treasurer and Tax Collector of the County, as paying agent, and the Auditor-Controller of the County, as fiscal agent. U.S. Bank National Association will initially serve as Paying Agent by delegation of the Treasurer and Tax Collector of the County.

The payment of principal of, premium, if any, and interest on the Series 2011A Bonds is secured by and payable from the Special Tax (as defined herein) levied on property located within Improvement Area A, after the payment of Administrative Expenses ("Net Taxes"), and the funds and accounts held under the Indenture. The Special Tax is levied according to the rate and method of apportionment approved by the owners of the property within Improvement Area A. The Special Taxes are collected in the same manner and at the same time as *ad valorem* property taxes are collected by the Treasurer and Tax Collector of the County. The District pursuant to the Indenture has covenanted not to issue any additional bonds secured by Special Taxes on a parity with the Series 2011A Bonds, except for bonds issued to refund the Series 2011A Bonds in whole or in part in compliance with the Indenture. See "SECURITY FOR THE SERIES 2011A BONDS."

* Preliminary, subject to change.

Interest on the Series 2011A Bonds is payable on March 1 and September 1 of each year, commencing on March 1, 2012. The Series 2011A Bonds will be delivered in fully registered form only, and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2011A Bonds. Ownership interests in the Series 2011A Bonds may be purchased in book-entry form only, in the denominations of \$5,000 or any integral multiple thereof. So long as the Series 2011A Bonds are registered in the name of Cede & Co., as nominee of DTC, principal of, premium, if any, and interest on the Series 2011A Bonds will be paid by the Paying Agent to DTC or its nominee which will in turn remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of interests in the Series 2011A Bonds as described herein. See Appendix D—“BOOK-ENTRY-ONLY SYSTEM.”

The Series 2011A Bonds are not subject to redemption prior to their stated maturities.

THE SERIES 2011A BONDS AND INTEREST THEREON ARE NOT PAYABLE FROM THE GENERAL FUNDS OF THE DISTRICT OR THE COUNTY. EXCEPT WITH RESPECT TO THE SPECIAL TAX, NEITHER THE CREDIT NOR THE TAXING POWER OF THE DISTRICT NOR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE SERIES 2011A BONDS OR THE INTEREST THEREON, AND, EXCEPT AS PROVIDED IN THE INDENTURE, NO BONDOWNER MAY COMPEL THE EXERCISE OF ANY TAXING POWER BY THE DISTRICT OR THE COUNTY OR FORCE THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2011A BONDS ARE NOT A DEBT OF THE DISTRICT OR THE COUNTY NOR A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THEIR RESPECTIVE PROPERTY OR UPON ANY OF THEIR RESPECTIVE INCOME, RECEIPTS OR REVENUES, EXCEPT THE NET TAXES.

See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of the risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2011A Bonds.

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

The Series 2011A Bonds are offered when, as and if issued, subject to approval as to their legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by County Counsel of the County. Certain matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Series 2011A Bonds in book-entry form will be available through the facilities of DTC in New York, New York on or about December __, 2011.

Stone & Youngberg LLC

A Division of Stifel Nicolaus

_____, 2011

\$3,345,000*
COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES
IMPROVEMENT AREA A SPECIAL TAX REFUNDING BONDS
SERIES 2011A

MATURITY SCHEDULE
 \$3,345,000* Serial Bonds

<i><u>Maturity Date</u></i> <i><u>(September 1)</u></i>	<i><u>Principal</u></i> <i><u>Amount</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Yield</u></i>	<i><u>CUSIP</u></i> [†]
2012				
2013				
2014				

* Preliminary, subject to change.

COUNTY OF LOS ANGELES BOARD OF SUPERVISORS

Michael D. Antonovich, Mayor
Fifth District

Gloria Molina
First District

Zev Yaroslavsky
Third District

Mark Ridley-Thomas
Second District

Don Knabe
Fourth District

Sachi A. Hamri
Executive Officer - Clerk
Board of Supervisors

LOS ANGELES COUNTY OFFICIALS

William T Fujioka
Chief Executive Officer

Mark J. Saladino
Treasurer and Tax Collector

Wendy L. Watanabe
Auditor-Controller

Andrea Sheridan Ordin
County Counsel

BOND COUNSEL

Fulbright & Jaworski L.L.P.
Los Angeles, California

SPECIAL TAX CONSULTANT

David Taussig & Associates, Inc.
Newport Beach, California

FISCAL AGENT

Auditor-Controller of the County of Los Angeles

PAYING AGENT

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

ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

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[REGIONAL MAP]

[AERIAL PHOTO]

Except where otherwise indicated, all information contained in this Official Statement has been provided by the County and the District. No dealer, broker, salesperson or other person has been authorized by the County, the District, the Paying Agent or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Series 2011A Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County, the District, the Paying Agent or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2011A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2011A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

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

IN CONNECTION WITH THE OFFERING OF THE 2011A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2011A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2011A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2011A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget,” or similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

The County maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2011A Bonds.

\$3,345,000*
COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES
IMPROVEMENT AREA A SPECIAL TAX REFUNDING BONDS
SERIES 2011A

INTRODUCTORY STATEMENT

General

This Official Statement, including the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by Community Facilities District No. 3 of the County of Los Angeles (the "District") of \$3,345,000* aggregate principal amount of its Improvement Area A Special Tax Refunding Bonds, Series 2011A (the "Series 2011A Bonds"). The Series 2011A Bonds will be issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, Section 53311 *et seq.* of the Government Code of the State of California (the "Act") and the Indenture, dated as of April 1, 1997 (the "Bond Indenture"), as amended by the First Supplemental Indenture, dated as of December 1, 2011 (the "First Supplemental Indenture" and, together with the Bond Indenture, the "Indenture"), executed by the Board of Supervisors (the "Board") of the County of Los Angeles (the "County"), acting in its capacity as the legislative body of the District, the Treasurer and Tax Collector of the County (the "Treasurer"), as paying agent, and the Auditor-Controller of the County, as fiscal agent (the "Fiscal Agent"). Under the Indenture, the Treasurer has been appointed as the paying agent for the Series 2011A Bonds and, pursuant to the authority vested in him under the Indenture, the Treasurer has selected U.S. Bank National Association to act on behalf of the Treasurer as paying agent (the "Paying Agent").

The proceeds of the Series 2011A Bonds will be used to (i) refinance and defease the District's Improvement Area A Special Tax Refunding Bonds, Series 1997A, currently outstanding in the aggregate principal amount of \$4,455,000, (ii) fund the Reserve Fund, and (iii) pay for costs of issuance incurred in connection with the issuance of the Series 2011A Bonds. See "EXPECTED SOURCES AND USES OF FUNDS" and "THE REFUNDING PLAN."

The District is located in the northern portion of the County. Improvement Area A consists of a portion of the master planned community known as "Stevenson Ranch" and consists of approximately 370 gross acres and approximately 270 net taxable acres which has been developed with 1,017 completed single-family detached dwelling units and 204 attached homes. See "IMPROVEMENT AREA A."

The payment of principal of, premium, if any, and interest on the Series 2011A Bonds is secured by and payable from the Special Tax (as defined herein) levied on property located within Improvement Area A, after the payment of Administrative Expenses ("Net Taxes"), and the funds and accounts held under the Indenture. The Special Tax is levied according to the rate and method of apportionment approved by the owners of the property within Improvement Area A. The Special Taxes are collected in the same manner and at the same time as *ad valorem* property taxes are collected by the Treasurer. Pursuant to the Indenture, the District has covenanted not to issue any additional bonds secured by the Special Taxes, except for bonds issued to refund in whole or in part the Series 2011A Bonds, or subordinate bonds, which in either case shall be issued only in accordance with the provisions of the Indenture. See "SECURITY FOR THE SERIES 2011A BONDS".

* Preliminary, subject to change.

Authorization to Issue the Series 2011A Bonds

The Act was enacted by the State of California Legislature to provide an alternative method of financing certain public facilities and services, especially in developing areas. Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified electors within a community facilities district and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes to repay such bonded indebtedness.

The Act also permits the designation of one or more improvement areas within a community facilities district. Subject to approval by two-thirds of the qualified electors within a designated improvement area, a community facilities district may incur bonded indebtedness to finance specific facilities and services within or benefiting an improvement area. Such bonded indebtedness is payable only from authorized special taxes levied on land within such improvement area. The proceedings for formation of the District, as described in the following paragraph, included designation of three improvement areas, consisting of Improvement Area A, Improvement Area B and Improvement Area C. The Series 2011A Bonds are secured solely by Special Taxes to be levied and collected within Improvement Area A only. The special taxes levied and collected within Improvement Area B and Improvement Area C are not pledged to or available for debt service payments on the Series 2011A Bonds.

Pursuant to the Act, the Board, acting as the legislative body of the District, adopted a resolution stating its intent to establish the District and the three improvement areas within the District and authorized the levy of special taxes on land within the boundaries of each of the three improvement areas. Following a public hearing conducted pursuant to the Act, the Board, as the legislative body of the District, adopted a resolution establishing the District and Improvement Area A and calling a special election to submit the propositions authorizing the levy of the Special Taxes and the incurring of a bonded indebtedness to the qualified electors of Improvement Area A. On June 9, 1989, at an election held pursuant to the Act, the Dale Poe Development Corporation, the landowner and sole qualified elector of Improvement Area A, authorized the District to incur bonded indebtedness in an amount not to exceed \$23,000,000 for Improvement Area A and approved the rate and method of apportionment of the Special Taxes to be levied to pay the principal of, and interest on, the authorized bonded indebtedness.

The District has previously issued its Series 1997 Bonds which refunded prior bonds of Improvement Area A that were issued to finance public facilities within or benefiting Improvement Area A. Pursuant to the Act, the Board, acting as the legislative body of the District, has authorized the issuance of the Series 2011A Bonds to refinance and defease the Series 1997A Bonds. The amount of the Special Tax to be levied annually will depend on, among other things, whether a given parcel is classified as Developed Property or Undeveloped Property (as such terms are herein after defined) and on the square footage and type of the residential units classified as Developed Property. See "IMPROVEMENT AREA A—Rate and Method of Apportionment of Special Tax."

Improvement Area A

Improvement Area A consists of a portion of the master planned community known as "Stevenson Ranch" and consists of approximately 370 gross acres of land within the unincorporated area of the County and is part of the approximately total 1,110 gross acres comprising the District located in the Santa Clarita Valley of the County, approximately 35 miles north of downtown Los Angeles. Improvement Area A contains 1,017 completed single-family detached dwelling units and 204 attached homes.

The Rate and Method of Apportionment of Special Tax classifies property to be taxed into "developed property," which includes all Assessor's Parcels in Improvement Area A on March 1 of the preceding fiscal year for which a building permit has been issued as of May 1 ("Developed Property"), and "undeveloped

property,” which is all other taxable property not classified as Developed Property (“Undeveloped Property”). As of May 1, 2011, there were 1,221 single-family dwelling units for which a building permit had been issued. Improvement Area A is fully built out, and no additional units are expected to be constructed. See “IMPROVEMENT AREA A.”

Based on information provided by the County Assessor, the assessed valuation within Improvement Area A as of January 1, 2011 was \$461,996,040. See “SECURITY FOR THE SERIES 2011A BONDS—Land Values.” In addition, see “SPECIAL RISK FACTORS—Additional and Overlapping Debt” for a discussion of additional debt payable on a parity with the Series 2011A Bonds.

Security for the Series 2011A Bonds

The Series 2011A Bonds will be secured on a parity with other bonds secured by the Special Taxes (collectively, the “Improvement Area A Bonds”) issued pursuant to the terms of the Indenture and, subject to the limitations therein, and by all moneys in the Bond Service Fund, the Redemption Fund, and the Reserve Fund and certain moneys in the Special Tax Fund created pursuant to the terms of the Indenture. See “SECURITY FOR THE SERIES 2011A BONDS” and “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” The Special Taxes pledged to the payment of the Improvement Area A Bonds are to be included on the regular property tax bills sent to the record owners of property within Improvement Area A. The District has covenanted for the benefit of the owners of the Improvement Area A Bonds (the “Bondowners”) that, under certain circumstances described herein, it will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within Improvement Area A and will diligently pursue such proceedings to completion. See “SECURITY FOR THE SERIES 2011A BONDS—The Special Taxes” and “—Covenant for Superior Court Foreclosure.”

See “SECURITY FOR THE SERIES 2011A BONDS—Additional Bonds” and “SPECIAL RISK FACTORS—Additional and Overlapping Debt.”

Book-Entry-Only System

The Series 2011A Bonds will be delivered in fully registered form only and when executed and delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Series 2011A Bonds. Ownership interests may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. So long as the Series 2011A Bonds are registered in the name of Cede & Co., as nominee of DTC, principal of, premium, if any, and interest on the Series 2011A Bonds is payable to DTC for subsequent disbursement to beneficial owners of the Series 2011A Bonds. See Appendix D—“BOOK-ENTRY-ONLY SYSTEM.”

Reserve Fund

There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. The Indenture provides that the Reserve Requirement means, as of any date of calculation, an amount equal to the least of (a) Maximum Annual Debt Service (as defined in the Indenture) on the Outstanding Bonds, (b) 10% of the proceeds of each series of Improvement Area A Bonds Outstanding (including any Additional Bonds hereafter issued), or (c) 125% of Average Annual Debt Service (as defined in the Indenture). If the amount on deposit in the Reserve Fund is less than the Reserve Requirement, then the District has covenanted to restore the amount in the Reserve Fund to the Reserve Requirement, to the extent of available funds. The moneys in the Reserve Fund will be used for the payment of the principal of, premium, if any, and interest on the Improvement Area A Bonds in the event that the moneys in the Bond Service Fund are insufficient therefor and for payment of the principal of, premium, if any, and interest on, the last maturity of the appropriate series of the Improvement Area A Bonds. See “SECURITY FOR THE SERIES 2011A BONDS—Reserve Fund.”

Limited Obligation

THE SERIES 2011A BONDS AND INTEREST THEREON ARE NOT PAYABLE FROM THE GENERAL FUNDS OF THE DISTRICT OR THE COUNTY. EXCEPT WITH RESPECT TO THE SPECIAL TAXES, NEITHER THE CREDIT NOR THE TAXING POWER OF THE DISTRICT NOR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE SERIES 2011A BONDS OR THE INTEREST THEREON, AND, EXCEPT AS PROVIDED IN THE INDENTURE, NO BONDOWNER MAY COMPEL THE EXERCISE OF ANY TAXING POWER BY THE DISTRICT OR THE COUNTY OR FORCE THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2011A BONDS ARE NOT A DEBT OF THE DISTRICT OR THE COUNTY NOR A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THEIR RESPECTIVE PROPERTY OR UPON ANY OF THEIR RESPECTIVE INCOME, RECEIPTS OR REVENUES, EXCEPT THE NET TAXES.

Special Risk Factors

A number of risk factors should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2011A Bonds. See "SPECIAL RISK FACTORS."

Continuing Disclosure

The District will covenant to provide certain financial information and operating data relating to the District by not later than February 1 succeeding the end of the District's Fiscal Year (presently such Fiscal Year end is June 30) commencing with the report for the Fiscal Year 2011-12 (the "Annual Report"), and the District has covenanted to provide notices of the occurrence of certain enumerated events. In addition to its undertaking relating to the Series 2011A Bonds, the District will provide the information to be contained in the Annual Report or the notices of enumerated events as set forth in Appendix C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The Annual Report and notices of certain listed events will be filed by a dissemination agent on behalf of the District with the Municipal Securities Rulemaking Board. The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Summaries of Documents; Documents Available for Inspection

Brief descriptions of the Series 2011A Bonds, the security for the Series 2011A Bonds, special risk factors, the Indenture, the District, Improvement Area A, the County and other information are included in this Official Statement together with summaries of certain provisions of the Series 2011A Bonds and the Indenture. Such descriptions and information do not purport to be comprehensive or definitive. All such descriptions of documents are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of the Treasurer and Tax Collector of the County of Los Angeles, 500 West Temple Street, Room 432, Los Angeles, California 90012.

THE SERIES 2011A BONDS

Authority for Issuance

The District and Improvement Area A were established and bonded indebtedness in an amount not to exceed \$23,000,000 was authorized for Improvement Area A pursuant to the Act. Under the provisions of the Act, since there were fewer than 12 registered voters residing within Improvement Area A at the time of the election, the qualified elector, who was the initial developer of the property and the sole landowner within Improvement Area A was entitled to cast one vote for each acre or portion of an acre of land it owned within Improvement Area A. At a special election held on June 9, 1989, the landowner voted to incur the bonded

indebtedness and to approve an annual levy of Special Taxes to be collected within Improvement Area A. See “IMPROVEMENT AREA A—Summary of Formation Proceedings.” The District has covenanted in the Indenture not to issue any additional bonds secured on a parity with the Special Taxes except in connection with a refunding of the Series 2011A Bonds for debt service saving in accordance with the Indenture. Notwithstanding the foregoing, the District may issue bonds payable from Special Taxes on a basis subordinate to the Series 2011A Bonds in accordance with the terms of the Indenture. See “SECURITY FOR THE SERIES 2011A BONDS—No Additional Bonds; Refunding Bonds.”

Description of the Series 2011A Bonds

The Series 2011A Bonds will be issued in the aggregate principal amount shown on the cover page of this Official Statement and will be dated as shown on the cover page of this Official Statement. The Series 2011A Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). So long as DTC, or its nominee, Cede & Co., is the registered owner of all Series 2011A Bonds, all payments on the Series 2011A Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (as defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined below) of the Series 2011A Bonds will be the responsibility of the DTC Participants as more fully described herein.

Interest on the Series 2011A Bonds will accrue from their dated date, at the rates per annum set forth on the cover page hereof, payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2012 (each, an “Interest Payment Date”) to the persons in whose names the Series 2011A Bonds are registered on the 15th calendar day of the month preceding each such Interest Payment Date (each, a “Record Date”) (whether or not such day is a business day) and the principal of the Series 2011A Bonds will be payable on September 1 in each of the years and in the amounts shown on the cover page hereof. Each Series 2011A Bond will bear interest from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the dated date of the Series 2011A Bonds; provided, however, that if at the time of authentication of such Series 2011A Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or from the dated date of the Series 2011A Bonds if no interest has been paid or made available for payment. Payment of interest shall be made in immediately available funds by wire transfer to any Bondowner of \$1,000,000 or more in aggregate principal amount of Series 2011A Bonds, if such Bondowner shall have provided the Paying Agent with an account number at an institution in the continental United States and any other necessary information for such purposes on or before the applicable Record Date. Interest on the Series 2011A Bonds shall be computed using a year of 360 days comprised of twelve 30-day months.

No Redemption

The Series 2011A Bonds are not subject to call and redemption prior to maturity.

REFUNDING PLAN

Refunding of the Series 1997A Bonds

The District plans to apply a portion of the proceeds of the Series 2011A Bonds to refund \$4,455,000 aggregate principal amount of the Series 1997A Bonds at a redemption price equal to 100% of the principal amount of the Series 1997A Bonds to be redeemed, plus accrued interest to the date of redemption (the “Series 1997A Redemption Price”).

Under an Escrow Agreement, dated as of December 1, 2011 (the “Series 1997A Escrow Agreement”), by and between the District and U.S. Bank National Association, as Escrow Agent (the “Escrow Agent”), the District will deliver a portion of the proceeds of the Series 2011A Bonds to the Escrow Agent, together with certain other funds held by the Escrow Agent, for deposit in the escrow fund established under the Series 1997A Escrow Agreement (the “Series 1997A Escrow Fund”). The Escrow Agent will hold all monies uninvested in cash. From the moneys on deposit in the Series 1997A Escrow Fund, the Escrow Agent will pay the Series 1997A Redemption Price on March 1, 2012.

The amounts held by the Escrow Agent in the Series 1997A Escrow Fund are pledged solely to the payment of the Series 1997A Bonds. The funds deposited in the Series 1997A Escrow Fund will not be available for the payments with respect to the Series 2011A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2011A Bonds are expected to be used as follows:

Sources of Funds

- Principal Amount of Bonds
- Less Underwriter’s Discount
- Less Net Original Issue Discount
- Prior Bond Funds
- Total Sources

Uses of Funds

- Series 1997A Escrow Fund
- Reserve Fund
- Costs of Issuance Fund⁽¹⁾
- Total Uses

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

DEBT SERVICE SCHEDULE

The following is the annualized debt service schedule for the Series 2011A Bonds.

<i><u>Period Ending</u></i> <i><u>(September 1)</u></i>	<i><u>Principal</u></i>	<i><u>Interest</u></i>	<i><u>Total Annual</u></i> <i><u>Debt Service</u></i>
2012			
2013			
2014			

SECURITY FOR THE SERIES 2011A BONDS

General

The Series 2011A Bonds, and the interest thereon, are payable from a portion of the annual Special Taxes to be levied and collected on property within Improvement Area A subject to the Special Taxes and proceeds, if any, from the sale of such property for delinquency of such Special Taxes and from amounts deposited in the Bond Service Fund, the Redemption Fund and the Reserve Fund, and from certain amounts deposited in the Special Tax Fund. Annual payments of principal of and interest on the Series 2011A Bonds and any other Improvement Area A Bonds shall be equally payable from the Special Taxes collected and remaining after the payment of Administrative Expenses (the “Net Taxes”).

Limited Liability

THE SERIES 2011A BONDS AND INTEREST THEREON ARE NOT PAYABLE FROM THE GENERAL FUNDS OF THE DISTRICT OR THE COUNTY. EXCEPT WITH RESPECT TO THE SPECIAL TAXES, NEITHER THE CREDIT NOR THE TAXING POWER OF THE DISTRICT OR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE SERIES 2011A BONDS OR THE INTEREST THEREON, AND, EXCEPT AS PROVIDED IN THE INDENTURE, NO BONDOWNER MAY COMPEL THE EXERCISE OF ANY TAXING POWER BY THE DISTRICT OR THE COUNTY OR FORCE THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2011A BONDS ARE NOT A DEBT OF THE DISTRICT OR THE COUNTY NOR A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THEIR RESPECTIVE PROPERTY OR UPON ANY OF THEIR RESPECTIVE INCOME, RECEIPTS OR REVENUES, EXCEPT THE NET TAXES.

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

Pledge of Special Tax Revenues

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

The Special Taxes

The District has covenanted in the Indenture that so long as any Improvement Area A Bonds, including the Series 2011A Bonds, are Outstanding, it will cause the levy of the Special Taxes each year up to the maximum permitted rates in an amount which, together with any moneys on deposit in the Special Tax Fund, the Redemption Fund, and the Bond Service Fund, will be sufficient to pay the principal of, premium, if any, and interest on, the Improvement Area A Bonds, Administrative Expenses and any amounts required to maintain the Reserve Fund at the Reserve Requirement. Because each Special Tax levy is limited to the Maximum Special Tax rates authorized by the qualified electors of Improvement Area A as set forth in the Rate and Method of Apportionment of Special Tax, no assurance can be given that, in the event of Special Tax delinquencies, the foregoing amount will in fact be collected in any given year. See “IMPROVEMENT AREA A—Rate and Method of Apportionment of Special Tax” and Appendix A—“RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR IMPROVEMENT AREA A.”

The Resolution adopted by the Board of Supervisors on June 8, 1989 contained a declaration of the District's intention to levy annually the Special Taxes on undeveloped land and on developed commercial, industrial and residential properties within Improvement Area A. The levy of the Special Taxes was authorized by the qualified electors of Improvement Area A at a special election held on June 9, 1989. The Special Taxes are to be apportioned, levied and collected according to the Rate and Method of Apportionment of Special Tax. See "IMPROVEMENT AREA A—Rate and Method of Apportionment of Special Tax."

Reserve Fund

In order to further secure the payment of principal and interest on Series 2011A Bonds, the District established the Reserve Fund, and a portion of the proceeds of the sale of the Series 2011A Bonds will be deposited therein, so that the amount on deposit in the Reserve Fund will equal the Reserve Requirement. The Reserve Requirement is defined in the Indenture as an amount equal to the least of (a) Maximum Annual Debt Service (as defined in the Indenture) on the Outstanding Improvement Area A Bonds, (b) 10% of proceeds of each series of Improvement Area A Bonds Outstanding, or (c) 125% of Average Annual Debt Service (as defined in the Indenture). See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Funds and Accounts Reserve Fund."

Covenant for Superior Court Foreclosure

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

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

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

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

If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the County, on behalf of the District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 140 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period under recent legislation may be reduced to 40 days for parcels other than those on which a

dwelling unit for not more than four families is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price (equal to the sum of delinquent Special Tax installments, penalties, interest, attorney's fees and costs of collection and sale) unless a lesser minimum bid price is authorized by the Bondowners.

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

Land Values

Based on information provided by the County Assessor, the assessed valuation within Improvement Area A as of January 1, 2011 was \$461,996,040, which is approximately 138* times the total aggregate principal amount of the Series 2011A Bonds. See "SPECIAL RISK FACTORS—Assessed Values." The following table sets forth a ten-year summary of historical assessed values in Improvement Area A.

**ASSESSED VALUATION HISTORY
IMPROVEMENT AREA A**

<i>Fiscal Year</i>	<i>Assessed Value</i>
2002-03	\$333,604,633
2003-04	360,779,590
2004-05	389,122,848
2005-06	424,402,163
2006-07	465,516,195
2007-08	493,442,889
2008-09	501,159,251
2009-10	457,925,495
2010-11	454,831,859
2011-12	461,996,040

Source: David Taussig & Associates.

As shown in the table below, the assessed value-to-lien ratios may vary by property. However, in excess of 99% of the Fiscal Year 2011-12 Special Tax levy is assessed on properties with an assessed value-to-lien ratio in excess of 20 to 1.

* Preliminary, subject to change.

**COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES
IMPROVEMENT AREA A**

RANGE OF ASSESSED VALUE-TO-LIEN RATIOS*

<i>Value-to-Lien⁽¹⁾⁽²⁾</i>	<i>Number of Parcels</i>	<i>2011-12 Special Taxes</i>	<i>Percent of Levy</i>
Greater than 175:1	197	\$ 194,518.83	12.60%
Between 150.01:1 and 175:1	279	320,328.61	20.75
Between 125.01:1 and 150:1	362	493,058.80	31.93
Between 100.01:1 and 125:1	283	399,496.81	25.88
Between 50.01:1 and 125:1	90	125,269.39	8.11
Less than 20:1	<u>10</u>	<u>11,284.03</u>	<u>0.73</u>
	<u>1,627</u>	<u>\$ 1,543,956.47</u>	<u>100.00%</u>

⁽¹⁾ Assessed Values are based on the Assessor's Roll as of July 1, 2011, before exemptions.

⁽²⁾ Value-to-Lien Ratio includes the refunding principal amount of \$3,345,000*, but excludes any overlapping debt issued by the County and/or other public agencies.

Source: David Taussig & Associates.

No assurance can be given that the foregoing value-to-lien ratios can or will be maintained during the period of time that the Series 2011A Bonds are outstanding. In addition, the District has no control over the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Special Taxes. The District has no control over the ability of such other entities and districts to issue such additional indebtedness. Such special taxes or indebtedness may have a lien on such property on a parity with the Special Tax. The imposition of such additional indebtedness may reduce the value-to-lien ratio within Improvement Area A and could reduce the willingness and the ability of the property owners within Improvement Area A to pay the Special Taxes when due. See "SPECIAL RISK FACTORS—Additional and Overlapping Debt." See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." See also "SPECIAL RISK FACTORS—Assessed Values" and "—Additional and Overlapping Debt."

No Additional Bonds; Refunding Bonds

The District has covenanted in the Indenture that no additional bonds are permitted to be issued; provided, however, the District may issue one or more series of refunding bonds for Improvement Area A payable from the proceeds of the Special Taxes on a parity with all other Outstanding Improvement Area A Bonds upon satisfaction of such conditions set forth in the Act, the Indenture, and such other conditions as the District may impose. Notwithstanding the foregoing, the District may issue bonds payable from Special Taxes on a basis subordinate to the Series 2011A Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

IMPROVEMENT AREA A

General

The following information regarding development and ownership of property in the District has been derived from sources which the District believes to be reliable but is not guaranteed as to accuracy or completeness. This information has been included because it may be considered relevant to an informed evaluation and analysis of the Series 2011A Bonds and the District. The inclusion in this Official Statement of

* Preliminary, subject to change.

the following information should not be construed to suggest that the Series 2011A Bonds or the Special Taxes that will be used to pay the Series 2011A Bonds are obligations of any owner of property within Improvement Area A payable other than from Special Taxes and foreclosure proceeds. The Series 2011A Bonds are secured solely by the Net Taxes and other amounts on deposit with the Fiscal Agent. See “SECURITY FOR THE SERIES 2011A BONDS” and “SPECIAL RISK FACTORS.”

Originally planned in the late 1980s, Improvement Area A is located in Stevenson Ranch, which covers an area of over 4,000 acres, and is located west of the I-5 freeway, at the foothills of the Santa Susana Mountains. Stevenson Ranch has its own collection of retail and restaurant businesses, mainly in the Valencia Marketplace and Stevenson Ranch shopping center. It is also the location of Pico Canyon, and the historic oil town of Mentryville, founded in 1875, both protected by the Santa Monica Mountains Conservancy.

Stevenson Ranch is an affluent census-designated place in Los Angeles County, California. The community is located in the Santa Clarita Valley, within an unincorporated area of the County. Stevenson Ranch encompasses about 6.4 square miles (17 km²). About 1,000 acres (4.0 km²) are set aside as parks, recreation areas and open space. A master planned community, it was approved by the County in 1987. The population was 17,557 at the 2010 census.

Stevenson Ranch Elementary, Pico Canyon Elementary, Rancho Pico Junior High, and West Ranch High School are all award-winning schools located in Stevenson Ranch, and Six Flags Magic Mountain, an amusement park, is located about 3 miles north of the community.

Improvement Area A contains 1,017 completed single-family detached dwelling units and 204 attached homes. The total assessed valuation for the properties located in Improvement Area A totaled \$461,996,040 as of January 1, 2011, representing a 1.55% increase over the previous fiscal year.

Summary of Formation Proceedings

Pursuant to the Act, the Board, acting as the legislative body of the District, adopted a resolution on April 25, 1989, stating its intention to establish the District and Improvement Area A and to authorize the levy of Special Taxes within the boundaries of Improvement Area A to pay principal of, and interest on, the Improvement Area A Bonds and stating its intent to have the District incur a bonded indebtedness in an amount not to exceed \$23,000,000.

Following public hearings, conducted pursuant to the provisions of the Act, the County adopted a resolution on June 8, 1989 (the “Resolution of Formation”), establishing the District and Improvement Area A and determining the necessity to have the District incur up to \$23,000,000 of bonded indebtedness for Improvement Area A. The Resolution of Formation called for a special election of the qualified electors in Improvement Area A to consider propositions to authorize the levy of the Special Tax and incur the bonded indebtedness.

At a special election held on June 9, 1989, the sole owner of the property within the boundaries of Improvement Area A authorized the District to incur a bonded indebtedness in an amount not to exceed \$23,000,000 for Improvement Area A and approved the Rate and Method of Apportionment of the Special Tax to pay the principal of and interest on the Improvement Area A Bonds. See Appendix A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR IMPROVEMENT AREA A.” The purpose of the indebtedness was to finance the acquisition or construction of various public improvements and facilities located in the District as specified therein.

Rate and Method of Apportionment of Special Tax

The Rate and Method of Apportionment of Special Tax generally provides that residential property will be taxed on the basis of the square footage per unit and on whether the unit is a single family detached or single family attached unit, while commercial/industrial property will be taxed on the basis of acreage.

The Rate and Method of Apportionment of Special Tax classifies property to be taxed into developed property, which is all Assessor's Parcels in Improvement Area A on March 1 of the preceding fiscal year for which a building permit has been issued as of May 1 ("Developed Property"), and undeveloped property, which is all other taxable property not classified as Developed Property ("Undeveloped Property").

The Special Taxes to be levied on the taxable property within Improvement Area A are based on, among other factors, the benefits expected to be received by each parcel from the various public improvements financed with the proceeds of the Improvement Area A Bonds. The Rate and Method of Apportionment of Special Tax sets out a five-step process by which the Board of Supervisors of the County will be able to determine the correct amount of money to be collected from the Developed Property and Undeveloped Property in the District for that fiscal year. This amount will be used to pay for current debt service on the District's indebtedness, create or replenish necessary reserve funds, and pay administrative and construction expenses to be paid from Special Tax proceeds. Subject to the Maximum Special Tax, the Board of Supervisors will follow the five-step process until the amount of the Special Tax levy equals the amount to be collected. See Appendix A—"RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR IMPROVEMENT AREA A."

The Maximum Special Tax (as defined in Appendix A hereto) that may be levied on a parcel depends upon the varying uses of the land and, with respect to residential properties, the size of the residential unit. Developed Property may be taxed at the higher of (i) the square footage of the parcel times the square footage of the parcel times the Base Maximum Special Tax Rate (\$0.440 per useable square foot) or (ii) the amounts determined by reference to Table A of Appendix A hereto. The special taxes shown on such Table A for residential properties will vary from a rate of \$1,093 per unit for an attached home of less than 1,100 square feet to a rate of \$2,841 per unit for a single family detached dwelling with 2,700 square feet or more. For a more complete discussion of the varying tax rates, see Appendix A hereto.

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

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

The Project

The District used the proceeds of Improvement Area A Bonds to acquire certain public improvements: (a) roads necessary for the development of Improvement Area A, including grading required for construction of the roads and related sewer lines and structures, storm drains, utilities and street lights, sidewalks, curbs and gutters, asphalt pavement and median curbs, and slope, median and parkway irrigation and landscaping; (b) bridge and thoroughfare district fees to be used to improve major thoroughfares including the McBean Parkway Interchange and the Pico Canyon/Lyons Avenue Interchange; and (c) school facility fees and park improvements.

Development Status

Improvement Area A is fully developed, with 1,017 completed single family detached homes and 204 attached homes. The various floor plans which are representative of the residential product located within Improvement Area A generally feature three or four bedroom units. The floor plans for the 1,017 single family detached homes in Improvement Area A range from 1,200 to over 3,200 square feet, with the majority of units in excess of 1,700 square feet. The floor plans for the 204 attached homes range from 1,024 to over 1,600 square feet. No additional units are expected to be completed.

Top Taxpayers

No property owner within Improvement Area A is responsible for more than 0.2% of the Fiscal Year 2011-12 Special Tax levy.

Tax Delinquencies

Under the provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Series 2011A Bonds are derived, will be billed to the properties within Improvement Area A on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

The following table shows the Special Tax levy and the percentages of delinquent Special Taxes for Fiscal Year 2000-2001 through Fiscal Year 2010-2011.

DELINQUENCY RATE FOR FISCAL YEARS 2000-2001 THROUGH 2010-2011⁽¹⁾

<i>Fiscal Year (Ending June 30)</i>	<i>Special Tax Levied</i>	<i>Collections</i>	<i>Delinquency</i>	<i>Delinquency Rate</i>
2011	\$1,543,956.47	\$1,509,022.69	\$34,933.78	2.263%
2010	1,543,956.47	1,487,533.13	56,423.34	3.654%
2009	1,543,956.47	1,463,335.08	80,621.39	5.222%
2008	1,543,954.83	1,465,563.01	78,391.82	5.077%
2007	1,559,549.77	1,487,404.38	72,145.39	4.626%
2006	1,591,378.25	1,550,452.75	40,925.50	2.572%
2005	1,607,454.98	1,557,447.27	50,007.71	3.111%
2004	1,623,692.57	1,583,017.97	40,674.60	2.505%
2003	1,455,618.78	1,421,822.04	33,796.74	2.322%
2002	1,462,810.87	1,423,232.54	39,578.33	2.706%
2001	1,542,084.30	1,508,336.12	33,748.18	2.188%

⁽¹⁾ As of October 18, 2011.

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

See “SECURITY FOR THE SERIES 2011A BONDS—The Special Taxes” and “—Covenant for Superior Court Foreclosure” for a discussion of the provisions which apply, and procedures which the District is obligated to follow, in the event of delinquency in the payment of Special Tax installments.

Debt Service Coverage

The following table shows the maximum and net amounts of revenues which would be derived in the bond years 2012 through 2014 if Special Taxes were levied and collected when due at the Maximum Special Tax rates permitted by the Rate and Method of Apportionment of Special Tax on Developed Property. The following table also sets forth the coverage which the Net Taxes would provide for debt service on the Series 2011A Bonds, expressed in percentages, derived by dividing Net Taxes by the amount of debt service on the Series 2011A Bonds for appropriate bond years. See “SPECIAL RISK FACTORS—Tax Delinquencies” for information regarding delinquent Special Taxes. See also “—Special Tax Levy” above for additional information.

DEBT SERVICE COVERAGE FROM DEVELOPED PROPERTY**

<i>Bond Year Ending (September 1)</i>	<i>Maximum Special Taxes⁽¹⁾</i>	<i>Estimated Administrative Expenses</i>	<i>Net Taxes⁽²⁾</i>	<i>Aggregate Debt Service⁽³⁾</i>	<i>Coverage⁽⁴⁾</i>
2012	\$ 2,354,513	\$ 40,000	\$ 2,314,513	\$ 1,256,965	1.84
2013	2,354,513	40,000	2,314,513	1,090,005	2.12
2014	2,354,513	40,000	2,314,513	1,085,235	2.13

(1) The Maximum Special Tax is the greater of the amount shown in Table A of the Rate and Method of Apportionment of Special Tax or the Base Maximum Special Tax. The amount shown above reflects the Table A amount with respect to all Developed Property in Improvement Area A as of May 1, 2011. As provided in the Rate and Method of Apportionment of Special Tax, Developed Property is based on the building permits issued as of May 1 of each year.

(2) Net Taxes are equal to Maximum Special Taxes less estimated Administrative Expenses. For purposes of this table, Administrative Expenses are assumed to be \$40,000 without any adjustments for future years.

(3) See “DEBT SERVICE SCHEDULE”.

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

The following table shows the Special Taxes levied for fiscal year 2011-2012 and the percentages of such respective Special Tax amounts to be paid by the property owners within Improvement Area A.

The Special Taxes levied in fiscal year 2011-2012 are approximately 65.57% of the maximum Special Tax on Developed Property.

* Preliminary, subject to change

<i>Tax Class</i>	<i>Land Use Type</i>	<i>Unit Size</i>	<i>Annual Special Tax Rate</i>	<i>Special Tax Rate</i>	<i>Number of Units</i>	<i>Total Special Tax Levy</i>	<i>Total Maximum Annual Taxes⁽¹⁾</i>
1	Single Family Detached	2,700 sq. ft. and above	\$ 2,841.00	\$ 1,862.97	164	\$ 305,527	\$ 465,924
2	Single Family Detached	2,400 – 2,699 sq. ft.	2,622.00	1,719.36	150	257,904	393,300
3	Single Family Detached	2,100 – 2,399 sq. ft.	2,349.00	1,540.34	105	161,736	246,645
4	Single Family Detached	1,700 – 2,099 sq. ft.	2,021.00	1,325.26	207	274,329	418,347
5	Single Family Detached	Fewer than 1,700 sq. ft.	1,475.00	967.22	391	378,183	576,725
6	Attached Home	1,400 sq. ft. and above	1,475.00	967.22	51	49,328	75,225
7	Attached Home	1,100 – 1,399 sq. ft.	1,202.00	788.20	102	80,396	122,604
8	Attached Home	Fewer than 1,100 sq. ft.	1,093.00	716.73	51	36,553	55,743
9	Commercial/Industrial	N/A	23,697.00	0.00	0	0	0
0	Undeveloped	N/A	23,700.00	0.00	0	0	0
					<u>1,221</u>	<u>\$ 1,543,956</u>	<u>\$ 2,354,513</u>

(1) The Maximum Special Tax is the greater of the amount shown in Table A of the Rate and Method of Apportionment of Special Tax or the Base Maximum Special Tax. The amount shown above reflects the Table A amount with respect to all Developed Property in Improvement Area A as of May 1, 2011. As provided in the Rate and Method of Apportionment of Special Tax, Developed Property is based on the building permits issued as of May 1 of each year.

Source: David Taussig & Associates, Inc.

SPECIAL RISK FACTORS

The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Series 2011A Bonds. The discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Series 2011A Bonds, and the Official Statement should be read in its entirety for the purpose of making an informed investment decision. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area A to pay their Special Taxes when due. Such failure to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Series 2011A Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in Improvement Area A.

General Risks of Real Estate Investments

The Bondowners will be subject to the risks generally incident to an investment in real estate, including (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of homes in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including zoning laws) and fiscal policies; and (iii) natural disasters (including earthquakes and floods), which may result in uninsured losses. The Series 2011A Bonds have not been rated by a rating agency.

No General Obligation of the County or District

The District's obligations under the Series 2011A Bonds and under the Indenture are limited obligations of the District and not of the County, and are payable equally and solely from Net Taxes and amounts in the Special Tax Fund, the Bond Service Fund, the Redemption Fund and the Reserve Fund. The Series 2011A Bonds are not general or limited obligations of the County, but are limited obligations of the District payable solely from the revenues and funds pledged therefor and under the Indenture. Neither the faith and credit of the District, the County or the State of California or any political subdivision thereof is pledged to the payment of the Series 2011A Bonds.

Assessed Values

The value of the property within Improvement Area A is a critical factor in determining the investment quality of the Series 2011A Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations or other events will adversely impact the value of the land upon which the Special Taxes are levied. See "IMPROVEMENT AREA A—Estimated Assessed Value-to-Lien Ratios."

The taxable property in Improvement Area A has an assessed value of \$461,996,040 for Fiscal Year 2011-12. The assessed value of property within Improvement Area A does not necessarily reflect the market value of such property. Prospective purchasers of the Bonds should not assume that a home within Improvement Area A could be sold for its assessed value at a foreclosure sale for delinquent Special Taxes.

Under the Act, property within Improvement Area A that is delinquent may be sold for the amount of the delinquent Special Tax, plus penalties and interest thereon. A 10% penalty is charged after the date Special Taxes are due and interest accrues at 18% per annum from and after the July 1 following the delinquency date. Prospective purchasers of the Series 2011A Bonds should not assume that any property within Improvement Area A could be sold at a price equal to the assessed value or the assessed value at a foreclosure sale for

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

Hazardous Materials

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

Natural Disasters

The District is located in a seismically active region in Southern California. Active faults which could cause significant ground shaking in the District include, but are not limited to, the San Andreas Fault zone. Additionally, the District is located in an area of high fire risk. In the event of a severe earthquake or wildfire, there may be significant damage to both property and infrastructure in the District. As a result, property owners may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in Improvement Area A could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes. The improvements within Improvement Area A have been built in accordance with applicable building codes, including requirements relating to seismic safety.

Additional and Overlapping Debt

Set forth below is a direct and overlapping debt summary (the "Debt Report") prepared by David Taussig & Associates dated as of October 1, 2011. The Debt Report is included for general information purposes only. The District believes such information to be reliable but makes no representations as to its completeness or accuracy.

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

**County of Los Angeles
Community Facilities District No. 3, Improvement Area A
Direct and Overlapping Debt Summary**

Overlapping District	FY 2011-12 Total Levy	FY 2011-12 Levy on Parcels in District	District Share of FY 2011-12 Total Levy	Total Debt Outstanding⁽¹⁾	District Share of Total Debt Outstanding⁽²⁾
County Parks District ⁽¹⁾	\$80,684,185	\$ 27,111	0.03%	\$170,725,000	\$ 57,366
Newhall Elementary School District ⁽²⁾	2,994,940	164,970	5.51	25,945,000	1,429,129
William S. Hart Union High School District ⁽¹⁾	9,758,136	147,492	1.51	197,195,873	2,980,577
Santa Clarita Community College District ⁽¹⁾	6,939,258	104,901	1.51	141,700,339	2,142,093
				Total Overlapping Debt	6,609,165
				Plus: District Bonded Indebtedness	3,345,000*
				Estimated Share of Direct and Overlapping Debt	\$9,954,165*

⁽¹⁾ Per County Parks and Recreation.

⁽²⁾ Per County of Los Angeles Auditor- Controller's Office.

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

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

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. The District, however, has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within Improvement Area A. Such additional indebtedness, if issued, would be required to satisfy applicable statutory requirements with respect to the issuance of such indebtedness. Further, the landowners within Improvement Area A may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments will have a lien on such property on a parity with the Special Taxes. The imposition of additional indebtedness could reduce the willingness and the ability of the property owners within Improvement Area A to pay the Special Taxes when due. See “—Additional and Overlapping Debt” above.

The District has covenanted not to issue any obligations payable in whole or in part from the Net Taxes other than refunding bonds. However, the District has no control over the amount of additional debt payable from taxes or assessments on all or a portion of the property within Improvement Area A that may be

* Preliminary, subject to change.

issued in the future by other governmental entities or districts, including but not limited to a successor city, school districts, water districts or any other district having jurisdiction over all or a portion of the land within Improvement Area A. Nothing prevents the owners of land within Improvement Area A from consenting to the issuance of additional debt by other public agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will have a lien on the property within Improvement Area A on a parity with the lien of the Special Taxes.

Accordingly, the liens on the property within Improvement Area A could greatly increase without any corresponding increase in the value of the property within Improvement Area A and thereby reduce the ratio that exists at the time the Series 2011A Bonds are issued between the value of the property and the debt secured by the taxes and assessments thereon. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within Improvement Area A to pay the Special Taxes when due.

Insufficiency of Special Taxes

The Rate and Method of Apportionment of Special Tax governing the levy of the Special Tax provides that Exempt Property is not subject to the Special Tax. The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Series 2011A Bonds when due and a default could occur with respect to the payment of such principal and interest.

Disclosures to Future Purchasers

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

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

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

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

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

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Series 2011A Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area A in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a

foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Series 2011A Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Series 2011A Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Secondly, the Bankruptcy Code might prevent moneys on deposit in the Special Tax Fund from being applied to pay interest on the Series 2011A Bonds and/or to redeem Series 2011A Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in procuring Superior Court foreclosure proceedings. If enough parcels were involved in bankruptcy proceedings, court delays would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Series 2011A Bonds and the possibility of delinquent tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the Series 2011A Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Funds Invested in the County Investment Pool

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

No Acceleration Provisions

The Series 2011A Bonds do not contain a provision allowing for the acceleration of the Series 2011A Bonds in the event of a payment default or other default under the terms of the Series 2011A Bonds or the

Indenture. Pursuant to the Indenture, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies described under “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default and Remedies.” So long as the Series 2011A Bonds are in book-entry form, DTC will be sole Bondowner and will be entitled to exercise all rights and remedies of Bondowners.

Loss of Tax Exemption

As discussed under the caption “CONCLUDING INFORMATION—Tax Matters,” interest on the Series 2011A Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2011A Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Indenture. Should such an event of taxability occur, the Series 2011A Bonds are not subject to a special redemption and will remain Outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture.

Proposition 218

An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes otherwise available to the District to pay the principal of and interest on the Series 2011A Bonds as described below.

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

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

Accordingly, although the matter is not free from doubt, it is likely that Article XIIC has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Series 2011A Bonds.

It may be possible, however, for voters or the District or the Board of Directors acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Series 2011A Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Series 2011A Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District

has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within Improvement Area A, unless, (i) the District receives a certificate from one or more independent consultants which, when taken together, certifies that, on the basis of the parcels of land and improvements existing in Improvement Area A as of July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds Outstanding will equal at least 110% of the sum on the estimated administrative expenses and debt service in that Bond Year on all Bonds to remain Outstanding after the reduction is approved, and (ii) the District hereby finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. In connection with the foregoing covenant, the District has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Series 2011A Bonds. The District also has covenanted that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants. See “SOURCES OF PAYMENT FOR THE SERIES 2011A BONDS—Special Taxes.”

The interpretation and application of Article XIIC and Article XIID will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “—Limitations on Remedies.”

Ballot Initiatives

Articles XIIA, XIIB, XIIC and XIID were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations.

Secondary Markets and Prices

The Underwriter will not be obligated to repurchase any of the Series 2011A Bonds, and no representation is made concerning the existence of any secondary market for the Series 2011A Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2011A Bonds, and no assurance can be given that the initial offering prices for the Series 2011A Bonds will continue for any period of time.

Enforceability of Remedies

The remedies available to the Fiscal Agent and the Bondowners upon a default under the Indenture or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Series 2011A Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Series 2011A Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. See “—Bankruptcy and Foreclosure” above.

Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it

concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Funds and Accounts

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

Administrative Expense Fund. On or before the date amounts are needed to pay Administrative Expenses, the Fiscal Agent shall withdraw from the Special Tax Fund and place in the Administrative Expense Fund an amount necessary, together with amounts on deposit therein, to pay all Administrative Expenses. The Indenture defines Administrative Expenses as the ordinary and necessary costs of administering the levy and collection of the Special Taxes and all other administrative costs and incidental expenses related to the Improvement Area A Bonds or the Special Taxes during a fiscal year, including, but not limited to, annual audit fees, Paying Agent fees, Escrow Holder fees, Verification Agent fees, Fiscal Agent fees, and fees incurred in connection with the calculation of arbitrage rebate due to the federal government. The Fiscal Agent shall pay the Administrative Expenses upon written instruction of the District. The Fiscal Agent shall transfer all amounts remaining on deposit in the Administrative Expense Fund on the final maturity of the Improvement Area A Bonds, after payment of any accrued Administrative Expenses, to the Special Tax Fund.

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

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

Reserve Fund. The Indenture provides that in the Reserve Fund there shall be maintained an amount equal to the Reserve Requirement. Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Improvement Area A Bonds in the event that the moneys in the Bond Service Fund are insufficient therefor, and for that purpose the Fiscal Agent shall withdraw from the Reserve Fund, for deposit in the Bond Service Fund, moneys necessary for such purpose. If the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the Fiscal Agent shall notify the District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the District shall collect such deficiency

either through including such amount in the next annual Special Tax levy, to the extent permitted by law and the Ordinance, or otherwise. If amounts on deposit in the Reserve Fund are less than the Reserve Requirement, after making the required transfers to the Administrative Expense Fund and the Bond Service Fund, the Fiscal Agent shall transfer to the Reserve Fund from the first available moneys in the Special Tax Fund, an amount necessary to increase the balance therein to the Reserve Requirement. If on July 1 of each year, the amount on deposit in the Reserve Fund is in excess of the Reserve Requirement, the Fiscal Agent shall transfer such excess to the Project Account or the Bond Service Fund, as provided in the Indenture. Moneys in the Reserve Fund shall be transferred to the Bond Service Fund on the final maturity of the Improvement Area A Bonds and applied to the payment of principal of and interest on the last outstanding maturity of the Improvement Area A Bonds.

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

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

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

Acquisition Fund. The Fiscal Agent shall, within the Acquisition Fund, establish the following accounts: Project Account and Costs of Issuance Account. The Fiscal Agent shall disburse money from the Costs of Issuance Account on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case in accordance with a Payment Request Form together with invoices therefor. Any amounts remaining on deposit in the Costs of Issuance Account on the earlier of the date on which the District has notified the Fiscal Agent in writing that all Costs of Issuance have been paid or one year after the initial deposit of such amounts in the Costs of Issuance Account shall be transferred to the Project Account of the Acquisition Fund. The Fiscal Agent shall, from time to time, disburse moneys from the Project Account to pay Project Costs, in each case promptly after receipt of a written request from the District, together with invoices therefor, all as further provided in the Indenture.

Earnings Fund. The Fiscal Agent shall establish and maintain an "Earnings Fund" in which there will be established an "Exempt Earnings Account" and a "Non-Exempt Earnings Account." On or before August 1 of each year prior to the completion of the Project, the District shall direct the transfer of all moneys on deposit

in the Exempt Earnings Account and the Non-Exempt Earnings Account to the Project Account of the Acquisition Fund. On or before August 1 of each year after completion of the Project, the District shall direct the transfer of all moneys on deposit in the Exempt Earnings Account and the Non-Exempt Earnings Account to the Bond Service Fund.

Investment of Moneys

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 the Indenture (except the Administrative Expense Fund and the Rebate Fund) shall (i) be deposited to the Exempt Earnings Account or the Non-Exempt Earnings Account as appropriate, (ii) prior to the completion of the Project, moneys on deposit in the Exempt Account and Non-Exempt Account may be transferred to the Project Account of the Acquisition Fund and (iii) after completion of the Project, moneys on deposit in the Exempt Account and Non-Exempt Account can be transferred to the Bond Service Fund. Earnings on the investment of any moneys on deposit in the Administrative Expense Fund or the Rebate Fund shall be held in each such fund or account. Subject to the restrictions set forth in the Indenture, moneys in said funds and accounts may be from time to time invested by the Fiscal Agent at the written direction of an authorized representative of the District, 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 Acquisition Fund shall be invested in obligations which will by their terms mature as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition 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;

(c) Moneys in the Bond Service Fund shall be invested only in obligations which will by their terms mature on such dates so as to ensure the payment of principal and interest on the Improvement Area A Bonds as the same become due; and

(d) Half of the moneys in the Reserve Fund may be invested in Authorized Investments which shall mature not more than two years from the date of purchase by the Fiscal Agent and the balance shall be invested in Authorized Investments which shall mature not more than five years from the date of purchase by the Fiscal Agent; provided no such investment shall mature later than the final maturity of the Improvement Area A Bonds; provided further, if such investments may be redeemed at par on the Business Day prior to each Interest Payment Date, any amount of the Reserve Fund may be invested in such redeemable investments of any maturity on or prior to the final maturity of the Improvement Area A Bonds.

Subject to the restrictions set forth in the Indenture relating to federal tax requirements, the Fiscal Agent shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer for such funds and accounts or from such funds and accounts.

“Authorized Investments” mean any legal investments of the District’s funds, which presently include the following:

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

(2) United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest;

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

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

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

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

(7) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by S&P and Moody's (eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of \$500,000,000, and having an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by S&P and Moody's, and purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation):

(8) Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal association (as defined by section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank which are rated A/A or better by S&P and Moody's;

(9) Investments in repurchase agreements or reverse repurchase agreements of any securities enumerated above, if the Fiscal Agent shall have received a perfected first security interest in such securities securing such repurchase agreement and the Fiscal Agent shall hold such obligations free and clear of the claims of third parties and the securities securing such repurchase agreement or reverse repurchase agreement are required to be of such nature, valued at such intervals and maintained at such levels so as to meet the collateralization levels then required by S&P and Moody's for a rating of A/A or better. The terms "repurchase agreement" and "counterparty" shall have the meanings provided in the Indenture.

(10) Medium-term notes of a maximum of five years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States (notes eligible for investment under this paragraph must be rated A/A or its equivalent by Moody's and S&P):

(11) Shares in money market funds which are rated Am or better by S&P, investing in the securities and obligations as authorized by paragraphs (1) to (10), inclusive, of this definition or which are rated A or better by S&P and which comply with the investment restrictions of Articles 1 and 2 of Chapter 4 of Title 5 of the California Government Code (commencing with Section 53630) (to be eligible for investment pursuant to this paragraph (11) these money market funds shall either: (i) attain the highest rankings or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or (ii) have an investment advisor registered with the Securities and Exchange Commission, if applicable, with not less than five years experience investing in the securities and obligations as authorized by paragraphs (1) to (10), inclusive, of this definition and with assets under management in excess of \$500,000,000; the purchase price of shares of beneficial interest purchase pursuant to this paragraph (11) shall not include any commission that these companies may charge);

(12) An Investment Agreement (as described in the Indenture); and

(13) To the extent of moneys pledged to the payment of or security of the Improvement Area A Bonds and held by a fiscal agent (including the Fiscal Agent), in any other prudent investment provided that such investments are either: (i) rated A/A or better, by S&P and Moody's; or (ii) are issued by an entity the corporate debt of which is rated A/A or better by S&P or Moody's; or (iii) are issued by an insurance company with a claims paying rating of A/A or better by S&P and Moody's.

Covenants

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

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

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

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

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

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

Additional Bonds; Refunding Bonds

Following the issuance of the Series 2011A Bonds no additional bonds are permitted to be issued without further District proceedings and approval by the qualified electors. The District may, however, issue one or more series of refunding bonds for Improvement Area A payable from the proceeds of the Special Taxes on a parity with all other Outstanding Improvement Area A Bonds upon satisfaction of such conditions set forth in the Act, the Indenture, and such other conditions as the District may impose.

Supplemental Indentures

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

- (a) to cure any ambiguity, to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not adversely affect the interests of the Bondowners;
- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect; and
- (c) to modify, alter, amend or supplement the Indenture for any reason in any other respect which is not materially adverse to the interests of Bondowners.

Exclusive of the Supplemental Indentures referred to above, the Bondowners of not less than 60% in aggregate principal amount of the Improvement Area A Bonds then Outstanding shall have the right to consent to and approve the execution of such Supplemental Indentures as shall be deemed necessary or desirable for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture or agreement; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Improvement Area A Bond, (b) a reduction in the principal amount of, or redemption price of, any Improvement Area A Bond or the rate of interest thereon, (c) a preference or priority of any Improvement Area A Bond or Bonds over any other Improvement Area A Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Improvement Area A Bonds the Bondowners of which are required to consent to such Supplemental Indenture, without the consent of the Bondowners of all Improvement Area A Bonds then Outstanding. Nothing in the Indenture, however, shall be construed as making necessary the approval by Bondowners of the execution of any Supplemental Indentures or agreements.

Defeasance

The Indenture provides that if the District shall pay or cause to be paid, or there shall otherwise be paid, to the Bondowners of all Outstanding Improvement Area A Bonds the interest due thereon, the principal thereof, at the times and in the manner stipulated in the Bonds and in the Indenture, then the Bondowners shall cease to be entitled to the pledge of Net Taxes, and all covenants, agreements and other obligations of the District to the Bondowners under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied, except the District's obligations to comply with the tax covenants in the Indenture. In the event that all Outstanding Bonds are defeased in accordance with the Indenture, the Fiscal Agent and the Paying Agent, as appropriate, shall execute and deliver to the District such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent and the Paying Agent, as appropriate, shall pay over or deliver to the District all money or securities held by them pursuant to the Indenture which are not required for the payment of the interest due on, the principal due on such Improvement Area A Bonds.

Improvement Area A Bonds for the payment of which money shall have been set aside (through deposit by the District 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 above paragraph.

Any Outstanding Improvement Area A Bonds 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 above if (a) there shall have been deposited with the Paying Agent either money in an amount which shall be sufficient, or Federal Securities (as defined below) 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 Improvement Area A Bonds on and prior to the maturity date thereof, the principal of such Improvement Area A Bonds and (b) the District shall have given the Paying Agent in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Bondowners that the deposit required by (a) above has been made with the Paying Agent and that such Improvement Area A Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity date upon which money is to be available for the payment of the principal of such Improvement Area A Bonds. The sufficiency of any such deposit, other than money alone, must be verified by the report of an independent certified public accountant.

Neither Federal Securities nor money deposited with the Paying Agent pursuant to the Indenture nor interest or principal payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of such Improvement Area A Bonds; provided that any cash received from such interest or principal payments on such Federal Securities deposited with the Paying Agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Federal Securities maturing at times and in amounts sufficient to pay when due the interest on and principal of such Improvement Area A Bonds on and prior to such maturity thereof, and interest earned from such reinvestments shall be deposited in the Special Tax Fund. "Federal Securities" mean, subject to applicable laws, United States Treasury Obligations - State and Local Government Series ("SLGS") or other direct obligations issued by the United States Treasury for which the faith and credit of the United States are pledged for the payment of principal and interest; and obligations issued by banks for corporations, federal land banks, federal intermediate credit banks, federal home loan banks, and the Federal Home Loan Bank Board.

Events of Default and Remedies

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

(a) Default in the due and punctual payment of the principal of, or redemption premium, if any, on any Improvement Area A 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 Improvement Area A Bond when and as the same shall become due and payable; or

(c) Default by the District in the observance of any of the agreements, conditions or covenants on its part in the Indenture or in the Improvement Area A Bonds contained (other than a payment default referred to in subparagraph (a) and (b) above), and the continuation of such default for a period of 60 days after the District shall have been given notice in writing of such default by the Fiscal Agent; provided that if within 60 days the District has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated.

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

(a) By mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Bondowners as provided in the Indenture;

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

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

Nothing in the Indenture, or in the Improvement Area A Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Improvement Area A Bonds to the respective Bondowners thereof at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Bondowners to institute a suit to enforce such payment by virtue of the contract embodied in the Improvement Area A Bonds and in the Indenture.

Paying Agent and Fiscal Agent

Under the terms of the Indenture, the District has appointed the Treasurer as the Paying Agent and the Auditor as the Fiscal Agent. The Treasurer has contracted with U.S. Bank National Association, to act as agent for the Paying Agent. The Paying Agent is authorized under the Indenture to and shall distribute interest payments to the Bondowners, select Improvement Area A Bonds for redemption, give notice of redemption and meetings of Bondowners, and maintain the Bond register. The Paying Agent is authorized to pay the principal on the Improvement Area A 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 Improvement Area A Bonds, all as provided in the Indenture, and provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in the Indenture. The Paying Agent shall keep accurate records of all Improvement Area A Bonds paid and discharged by it.

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

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

CONCLUDING INFORMATION

Underwriting

The Series 2011A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated dba “Stone & Youngberg LLC, a division of Stifel Nicolaus” (the “Underwriter”). The Underwriter has agreed to purchase the Series 2011A Bonds at an aggregate purchase price of \$_____. The Underwriter may offer and sell the Series 2011A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Certain Legal Matters

Legal matters incident to the issuance of the Series 2011A Bonds will be subject to the final approving opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, substantially in the form contained in Appendix B. Certain legal matters will be passed upon for the District by County Counsel of the County. Certain legal matters will be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. The various legal opinions to be delivered concurrently with the delivery of the Series 2011A Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Tax Matters

The Internal Revenue Code of 1986 (the “Code”) imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2011A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2011A Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of that series of the Series 2011A Bonds. The District has covenanted in the Indenture to maintain the exclusion of the interest on the Series 2011A Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, under existing law interest on the Series 2011A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenant, interest on the Series 2011A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that the Series 2011A Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, the interest on the Series 2011A Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, the receipt or accrual of interest on the Series 2011A Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

To the extent that a purchaser of a Series 2011A Bond acquires that Series 2011A Bond at a price in excess of its “stated redemption price at maturity” (within the meaning of section 1273(a)(2) of the Code), such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be

amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium which is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Series 2011A Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Series 2011A Bond to the owner. Purchasers of Series 2011A Bonds at a price that includes bond premium should consult their own tax advisors with respect to the computation and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption or other disposition of the Series 2011A Bond.

The excess, if any, of the stated redemption price at maturity of Series 2011A Bonds of a maturity over the initial offering price to the public of the Series 2011A Bonds of that maturity is "original issue discount." Original issue discount accruing on a Series 2011A Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that Series 2011A Bond. Original issue discount on any Series 2011A Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Series 2011A Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Series 2011A Bond accruing during each period is added to the adjusted basis of such Series 2011A Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Series 2011A Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Series 2011A Bonds who purchase such Series 2011A Bonds other than at the initial offering price and pursuant to the initial offering. Purchasers of Series 2011A Bonds of a maturity having original issue discount should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011A Bonds with original issue discount.

Pursuant to the Indenture, and in the Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), the District will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Series 2011A Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the District with such covenants. Further, except as stated above, Bond Counsel will express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Series 2011A Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2011A Bonds may affect the tax status of interest on the Series 2011A Bonds or the tax consequences of the ownership of the Series 2011A Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Series 2011A Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Series 2011A Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2011A Bonds, or the interest thereon, if any action is taken with respect to the Series 2011A Bonds or the proceeds thereof upon the advice or approval of other counsel.

Although Bond Counsel is of the opinion that interest on the Series 2011A Bonds is exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Series 2011A Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing,

prospective purchasers of the Series 2011A Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2011A Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Series 2011A Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2011A Bonds, (iii) interest on the Series 2011A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Series 2011A Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2011A Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Series 2011A Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2011A Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2011A Bonds, the District may have different or conflicting interest from the owners. Public awareness of any future audit of the Series 2011A Bonds could adversely affect the value and liquidity of the Series 2011A Bonds during the pendency of the audit, regardless of its ultimate outcome.

On September 12, 2011, President Obama submitted to Congress the "American Jobs Act of 2011" (the "American Jobs Act"), which, if enacted, could result in additional federal income tax being imposed on certain owners of tax-exempt obligations, including the Series 2011A Bonds, for tax years beginning on or after January 1, 2013. As proposed, the American Jobs Act would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest, to 28 percent, irrespective of the actual marginal tax rate imposed on such taxpayers. The American Jobs Act or other proposed legislation, if enacted, could directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Series 2011A Bonds from gross income for federal income tax purposes or the exemption of interest on the Series 2011A Bonds from personal income taxation by the State. The introduction or enactment of the American Jobs Act or other proposed legislation could also affect the value and liquidity of the Series 2011A Bonds. Prospective purchasers of the Series 2011A Bonds should consult with their own tax advisors with respect to the American Jobs Act or other pending or proposed tax legislation.

No Litigation

The District is not aware of any litigation pending or threatened concerning the validity of the Series 2011A Bonds, the formation of the District or contesting the authority of the District to levy and collect the Special Taxes or contesting the District's authority to issue the Series 2011A Bonds.

Judicial Validation

On June 19, 1989, the County filed an action in the Superior Court of the State of California in and for the County of Los Angeles (No. C728049) for the judicial examination, approval and confirmation of the validity of all proceedings and relating to the validity of the special tax to be levied within each improvement

area within the District and the issuance of the bonds to finance public facilities in and for the improvement areas within the District secured by special taxes levied with each such improvement area, pursuant to California Code of Civil Procedure Sections 860 through 870 inclusive and the Act. On August 2, 1989, a judgment was rendered providing, among other things, (i) that the Court has examined and inquired into the proceedings relating to the validity of the issuance of bonds to finance public facilities in and for the improvement areas within the District and the levy of certain special taxes within each such improvement area, and approved and confirmed the validity of all such proceedings and (ii) that all conditions, things and acts required by law to exist, happen or be performed prior to the adoption of an ordinance authorizing the levy of the aforementioned special taxes, including the adoption of the resolutions and voter approval of the special taxes, have existed, happened and been performed in the time, form and manner required by law.

Pursuant to Code of Civil Procedure Section 870, defendants, and each of them, are permanently enjoined from instituting any action challenging the validity of the bonds and/or the aforementioned special taxes. Defendants, and each of them, are also permanently enjoined from bringing any action against the County with regard to the District, the bonds, the special taxes and/or raising any issue as to which the judgment is binding and conclusive.

Miscellaneous

The Consultant will receive compensation contingent upon the sale and closing of the Series 2011A Bonds.

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

This Official Statement does not constitute a contract with the purchasers of the Series 2011A Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR IMPROVEMENT AREA A

A special tax (the “Special Tax”) applicable to each assessor’s parcel in Improvement Area A of Community Facilities District No. 3 (“CFD No. 3-A”) shall be annually levied and collected according to the tax liability determined by the Board of Supervisors of the County of Los Angeles (the “Board”) acting in its capacity as the legislative body of CFD No. 3-A through the application of the appropriate amount or rate for “Developed Property”, or “Undeveloped Property”, as defined below in Section II. All of the property in Improvement Area A depicted in the boundary map of CFD No. 3-A attached hereto as Appendix 1, unless exempted by law or by the provisions of Section IV below, shall be taxed for the purposes, to the extent and in the manner herein provided.

I. Category of Land Use Class. On July 1 of each Fiscal Year, all taxable property, as of March 1 of the preceding Fiscal Year, within CFD No. 3-A shall be categorized either as “Developed Property”, or “Undeveloped Property”, as defined below in Section II, and shall be subject to the Special Tax in accordance with the rates and the method of apportionment determined pursuant to Sections II and III below. “Fiscal Year” means the period starting on July 1 and ending the following June 30. The Special Tax shall be collected on the property tax bill of the County of Los Angeles.

II. Maximum Special Tax Rates.

A. Developed Property. “Developed Property” is defined as all assessor’s parcels in CFD No. 3-A on March 1 of the preceding Fiscal Year for which a building permit had been issued as of May 1; provided, however, that Developed Property shall not include property owned by a public agency, a public utility, or by a homeowner’s association (which property is subject to tax as Undeveloped Property only to the extent set forth in step five of Section III below). For purposes of determining the applicable maximum Special Tax, Developed Property shall be assigned to the Classes in Table A below based upon the square footage of the dwelling unit to be constructed on the assessor’s parcel as set forth in the original building permit issued for such parcel. Square footage of the dwelling unit means the internal living space of each unit, exclusive of garages or other structures not used as living spaces.

The maximum Special Tax for an assessor’s parcel classified as Developed Property in the Classes listed shall be the greater of the “Base Maximum Special Tax” as defined below, or the amount listed as the Maximum Annual Special Tax in Table A below. For purposes of this Section IIA, the square footage of an assessor’s parcel shall be determined by reference to the most current parcel map or other subdivision tract map filed with the office of the county Recorder for Los Angeles County.

Notwithstanding Section IV below, for purposes of computing the Base Maximum Tax for parcels of Developed Property that fall into Classes 6 - 8 and are owned by a homeowners’ association, the square footage of the entire Assessor’s Parcel shall be included to determine the Base Maximum Tax level.

Notwithstanding the above, for Developed Property in Classes 6 - 8, a portion of the acreage in a recorded tract map shall be taxed as Undeveloped Property if building permits for all of the units in the approved site plan for that map were not issued as of March 1 of the previous Fiscal Year. The acreage in a recorded tract map to be taxed as Undeveloped Property shall equal the proportion of the -associated site plan’s approved units for which building permits had not been issued by the previous March 1, multiplied by the total acreage within that tract map.

B. Undeveloped property. “Undeveloped Property” is defined as all taxable property, as of March 1 of the preceding Fiscal Year, other than Developed Property.

The maximum annual Special Tax on Developed Property within CFD No. 3-A (as depicted on the Boundary Map attached hereto) shall be the greater of \$0.440 per usable square foot of assessor’s parcel (“Base Maximum Special Tax”), or the Maximum Annual Tax Rate in Table A. Usable square foot of Assessor’s Parcel is defined as the pad size of each Assessor’s Parcel, as depicted in the grading plan for each Assessor’s Parcel as recorded with the County of Los Angeles.

The maximum Special Tax for Undeveloped Property in CFD No. 3-A shall be \$19,100 per acre.

TABLE A

<i>Class</i>	<i>Unit Type</i>	<i>Maximum Annual Tax Rate*</i>
1	Single Family Detached (2,700 sq. ft. and above)	\$2,841 per unit
2	Single Family Detached (2,400 - 2,699 sq. ft.)	\$2,622 per unit
3	Single Family Detached (2,100 - 2,399 sq. ft.)	\$2,349 per unit
4	Single Family Detached (1,700 - 2,099 sq. ft.)	\$2,021 per unit
5	Single Family Detached (less than 1,700 sq. ft.)	\$1,475 per unit
6	Attached Home (1,400 sq. ft. and above)	\$1,475 per unit
7	Attached Home (1,100 - 1,399 sq. ft.)	\$1,202 per unit
8	Attached Home (less than 1,100 sq. ft.)	\$1,093 per unit
9	Commercial/Industrial	\$22,521 per acre

* Taxes may exceed these levels if the Base Maximum Special Tax alternative is used (\$0.44 per usable SF of assessor’s parcel). This would only apply to Classes 1 - 5 if the usable lot size is larger than a specified level for each category of land use. The Base Maximum Special Tax will be applied if the usable lot is larger than 6,456 square feet in Class 1, larger than 5,959 square feet in Class 2, larger than 5,338 square feet in Class 3, larger than 4,593 square feet in Class 4 and larger than 3,352 square feet in Class 5.

The Base Maximum Special Tax would also apply to Classes 6 - 8 if they are built at densities less than 12.99 units per net acre for Class 6; 15.94 units per net acre for Class 7 and 17.53 units per net acre for Class 8.

III. Method of Apportionment of Special Tax to Developed and Undeveloped Property. Annually, at the time of levying the Special Tax for CFD No. 3-A, the Board shall determine the amounts of Special Taxes to be collected from taxable property, as of March 1 of the preceding Fiscal Year, in CFD No. 3-A in that Fiscal Year. Such amounts shall include all sums necessary to pay for the construction or acquisition of public facilities to be provided for CFD No. 3-A; to pay current debt service on indebtedness of CFD No. 3-A; to create or replenish reserve funds determined necessary by CFD No. 3-A for existing or future bonded indebtedness and to pay administrative expenses of CFD No. 3-A (the “CFD No. 3-A Obligations”). The Board shall not levy a Special Tax until the Fiscal Year immediately following the sale of the first bond issue by CFD No. 3-A. Once the first bond issue has been sold for CFD No. 3-A, the Board shall levy the Special Taxes, as follows, until the amount of the levy equals the amount necessary to fund CFD No. 3-A Obligations:

First: The Special Taxes shall be levied on the Developed Property within CFD No. 3-A up to 87% of the Maximum Annual Tax Rates listed in Table A.

Second: If additional revenue is required to fund the CFD No. 3-A Obligations after the first step is completed, then the Special Tax shall be levied up to 100% of the applicable maximum Special Tax on each acre, or portion thereof, of Undeveloped Property in CFD No. 3-A (exclusive of Undeveloped Property exempted under Section IV, below).

Third: If additional revenue is needed to fund CFD No. 3-A Obligations after the first two steps are completed, then the levy of the Special Tax on Developed Property shall be increased in equal percentages for each class listed in Table A above, up to 100% of the Maximum Annual Tax Rates listed in the applicable table.

Fourth: If additional revenue is needed to fund CFD No. 3-A Obligations after the first three steps are completed, then the Special Tax shall be levied proportionately on each assessor's parcel of Developed Property for which the Base Maximum Special Tax is greater than the Maximum Annual Tax Rate specified in Table A above, in an amount no greater than the difference between the Base Maximum Special Tax and the Maximum Annual Tax Rate for such parcel.

Fifth: If additional monies are needed after the first four steps have been completed, then the Special Tax shall be levied proportionately on each parcel of Undeveloped Property owned by, conveyed or irrevocably offered for dedication to a public agency which has not been exempted from the Special Tax for Undeveloped Property.

IV. Exemptions.

The Board shall not impose any Special Tax on up to 231.29 acres of land owned, conveyed or irrevocably offered for dedication to a public agency prior to the formation of CFD No. 3-A or owned by a homeowner's association or a public utility as of March 1. If the total number of acres of land owned by, conveyed or irrevocably offered for dedication to a public agency or owned by a homeowner's association or public utility exceeds 231.29 acres, then the acres exceeding such total shall be taxed as Undeveloped Property to the extent set forth in step five in Section III above; provided, however, that in no event shall the Board impose a Special Tax on land which is owned by a homeowners association, which is a public right of way or which is an unmanned utility property or a property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement.

V. Appeals. Any landowner or resident who feels that the amount of the Special Tax is in error may file a notice with CFD No. 3-A appealing the levy of the Special Tax. A representative of CFD No. 3-A will then review the appeal and, if necessary, meet with the applicant. If the findings of the CFD No. 3-A representative verify that the amount of the Special Tax should be modified or changed, then, as appropriate, the Special Tax levy shall be corrected.

VI. Interpretation of Rate and Method of Apportionment. Interpretations may be made by the Board by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any category, tax rate method of apportionment or definition applicable to this Rate and Method of Apportionment of Special Tax.

VII. Manner of Collection. The special taxes for CFD No. 3-A will be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 3-A may collect special taxes at a different time or in a different manner if necessary to meet its financial obligation. In the event of delinquency, CFD No. 3-A will pursue foreclosure in a timely manner.

APPENDIX B

FORM OF APPROVING OPINION OF BOND COUNSEL

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2011A Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to the Series 2011A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2011A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2011A Bonds. The Series 2011A Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be executed and delivered for each annual maturity of the Series 2011A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A Bonds with DTC and their registration in the name

of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011A Bond documents. For example, Beneficial Owners of Series 2011A Bonds may wish to ascertain that the nominee holding the Series 2011A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2011A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Series 2011A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Series 2011A Bond by causing the Direct Participant to transfer the Participant's interest in the Series 2011A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2011A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2011A Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2011A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Series 2011A Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2011A Bonds will be printed and delivered to DTC.

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2011A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION

OF THE SERIES 2011A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

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

The following information concerning Community Facility District No. 3 (the “District”) and the County of Los Angeles (the “County”) and the State of California (the “State”) is included only for the purpose of supplying general background information regarding the community

General Description

The District is located in the northern portion of the County of Los Angeles, California (the “County”). Improvement Area A consists of a portion of the master planned community known as “Stevenson Ranch”.

Stevenson Ranch is an affluent census-designated community in the County. The community is located in the Santa Clarita Valley. Often incorrectly referred to as part of the city of Santa Clarita, the community does not actually fall within the Santa Clarita city limits, and is instead in an unincorporated area. Stevenson Ranch encompasses about 6.4 square miles (17 km²). About 1,000 acres (4.0 km²) are set aside as parks, recreation areas and open space. Stevenson Ranch is set in the foothills of the Santa Susana Mountains and lies west of Interstate 5. This Area backs up to the historic, oil-mining town of Mentryville, founded in 1875. A master planned community, it was approved by the county in 1987. The population was 17,557 at the 2010 census.

The County encompasses an area of approximately 4,081 miles in southwestern California. The 88 cities within the County encompass about 35% of the County, while more than 65% of the County remains unincorporated. The County has the largest population of any county in the nation with more than 10 million inhabitants as of 2009, nearly twice as many as the next largest county. The County is bordered on the east and the south by Orange and San Bernardino Counties, on the north by Kern County, and on the west by Ventura County and the Pacific Ocean.

Population

The population of the County and the State is shown below for calendar years 2007 through 2011.

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

<i>Year</i>	<i>County of Los Angeles</i>	<i>State of California</i>
2007	10,231,000	37,463,609
2008	10,285,296	37,871,509
2009	10,355,053	38,255,508
2010	10,441,080	38,648,090
2011 ⁽¹⁾	9,858,989	37,510,766

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

Employment

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

LOS ANGELES COUNTY Civilian Labor Force, Employment and Unemployment Annual Averages 2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Civilian Labor Force ⁽¹⁾	4,808,600	4,874,600	4,930,900	4,900,100	4,879,500
Employment	4,578,700	4,626,900	4,563,200	4,336,600	4,262,300
Unemployment	229,900	247,600	367,600	563,500	617,200
Unemployment Rate ⁽²⁾	4.8%	5.1%	7.5%	11.5%	12.6%

Notes: ⁽¹⁾ Based on place of residence; March 2011 Benchmark.

⁽²⁾ The unemployment rate is calculated using unrounded data.

Source: California Employment Development Department.

Industry

The District and Stevenson Ranch are included in the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area. The distribution of employment in the Los Angeles-Long Beach-Glendale area is presented in the following table for calendar years 2005 through 2010. These figures are multi-county-wide statistics and may not necessarily accurately reflect employment trends within the District or Stevenson Ranch.

INDUSTRY BY EMPLOYMENT Los Angeles-Long Beach-Glendale Metropolitan Statistical Area 2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Farm	7,600	7,500	6,900	6,200	6,400
Mining and Logging	4,000	4,400	4,400	4,100	4,200
Construction	157,500	157,600	145,200	117,300	104,300
Manufacturing:					
Durable Goods	257,300	250,900	243,200	217,500	207,200
Nondurable Goods	204,400	198,300	191,200	171,600	166,900
Service Providing:					
Wholesale Trade	225,700	227,000	223,700	204,500	202,900
Retail Trade	423,300	426,000	416,500	387,000	385,200
Transportation, Warehousing & Utilities	165,200	165,600	163,100	151,200	150,300
Information	205,600	209,800	210,300	191,200	192,400
Financial Activities	248,800	246,000	235,700	216,000	209,200
Professional & Business Services	598,900	605,400	582,600	529,800	526,100
Education & Health Services	478,700	490,500	503,400	514,600	522,700
Leisure & Hospitality	388,600	397,900	401,600	385,600	384,600
Other Services	145,200	147,100	146,100	137,900	136,300
Government	<u>589,400</u>	<u>595,700</u>	<u>603,700</u>	<u>595,800</u>	<u>576,600</u>
Total (all industries)	4,100,100	4,129,600	4,077,600	3,830,300	3,775,300

Source: State of California Employment Development Department

Largest Employers

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

LARGEST PRIVATE-SECTOR EMPLOYERS

Los Angeles County

2011

<u>Rank</u>	<u>Company</u>	<u>Los Angeles County Employees</u>	<u>Description</u>
1.	Kaiser Permanente	32,700	Non-profit health plan
2.	Northrop Grumman Corp.	19,000	Defense contractor
3.	University of Southern California	15,122	Private university
4.	Boeing Co.	13,623	Integrated aerospace and defense systems
5.	Ralphs/Food for Less (division of Kroger Co.)	13,500	Grocery retailer
6.	Target	13,000	Retailer
7.	Bank of America Corp.	12,000	Banking and financial services
8.	Cedars Sinai Medical Center	10,467	Medical center
9.	The Home Depot	10,000	Home improvement specialty retailer
10.	Providence Health & Services California	9,960	Medical centers
11.	Wells Fargo	9,900	Diversified financial services
12.	Vons	9,176	Grocery retailer
13.	ABM Industries Inc.	8,800	Facility services, janitorial, parking, security, engineering and lighting
14.	AT&T Inc.	8,505	Telecommunications
15.	California Institute of Technology	8,400	Private university, operator of Jet Propulsion Laboratory
16.	Fedex Corp.	7,700	Shipping and logistics
17.	Catholic Healthcare West	7,200	Hospitals
18.	Amgen Inc.	6,700	Biotechnology
19.	JP Morgan Chase	6,000	Banking and financial services
20.	Long Beach Memorial Medical Center	5,200	Hospital

Source: *Los Angeles Business Journal 2009, The Book of Lists 2011.*

Personal Income

Per capita personal income in the County grew by 36.8% from 2000 to 2009, representing a ten-year average annual compound growth of 3.2%, but has begun to decline. The following table summarizes per capita personal income for the County, the State of California and the United States for 2000 to 2009.

PER CAPITA PERSONAL INCOME Los Angeles County, State of California, and United States of America 2000-2009

<u>Year</u> ⁽¹⁾	<u>Los Angeles County</u>	<u>% Annual Change</u>	<u>State of California</u>	<u>% Annual Change</u>	<u>United States of America</u>	<u>% Annual Change</u>
2000	\$29,865	--	\$33,398	--	\$30,318	--
2001	31,495	5.5%	33,890	1.5%	31,145	2.7%
2002	32,041	1.7	34,045	0.5	31,462	1.0
2003	32,961	2.9	34,977	2.7	32,271	2.6
2004	34,481	4.6	36,904	5.5	33,881	5.0
2005	36,434	5.7	38,767	5.1	35,424	4.6
2006	39,519	8.5	41,567	7.2	37,698	6.4
2007	41,128	4.1	43,240	4.0	39,461	4.7
2008	42,195	2.6	43,853	1.4	40,674	3.1
2009	40,867	(3.1)	42,395	(3.3)	39,635	(2.6)

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

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

Commercial Activity

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

TAXABLE SALES County of Los Angeles 2005-2009 (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2005	139,641	\$92,271,155	298,083	\$130,722,373
2006	142,512	95,554,193	295,701	136,162,552
2007	142,380	96,095,711	290,344	137,820,418
2008	146,999	89,810,309	289,802	131,881,744
2009	175,461	78,444,115	264,928	112,744,722

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

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles (the “District”) in connection with the \$_____ Improvement Area A Special Tax Refunding Bonds, Series 2011A (the “Bonds”). The Bonds are being issued pursuant to an Indenture (the “Original Indenture”) dated as of April 1, 1997 by and among the District acting through the Board of Supervisors of the County, the Treasurer and Tax Collector of the County, as Paying Agent (the “Paying Agent”), and the Auditor-Controller of the County, as Fiscal Agent (the “Fiscal Agent”), and a First Supplemental Indenture, dated as of December 1, 2011 (the “First Supplemental Indenture” and, together with the Original Indenture, the “Indenture”). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

Official Statement. The term “Official Statement” means the Official Statement dated November __, 2011 delivered in connection with the issuance of the Bonds.

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

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

time.

3. Provision of Annual Reports.

(a) The District shall provide not later than [February 1] following the end of its Fiscal Year (commencing with Fiscal Year 2011) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

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

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

(a) The audited financial statements of the County for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) Principal amount of the Bonds outstanding and principal amount of Bonds authorized for the Improvement Area;

(c) Balance in Reserve Fund and a statement of the Reserve Requirement;

(d) Balance in other funds and accounts of the District;

(e) Total assessed value of all parcels subject to the Improvement Area A Special Tax;

(f) Delinquency information on all parcels within Improvement Area A, including the Special Tax levied, the number of parcels subject to the levy and the delinquency rate;

(g) Status of special tax foreclosure proceedings and summary of results of foreclosure sales, if available; and

(h) Identity of any delinquent taxpayer (by specific title holder and excluding related entities) representing in the aggregate more than 5% of the Improvement Area A special tax levy and value-to-lien ratios based on assessed valuation of applicable properties (using assessed values).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or the County or related public

entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

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

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

1. unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. modifications to the rights of Bondholders;
3. optional, unscheduled or contingent Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional paying agent or fiscal agent or the change of the name of a paying agent or fiscal agent.

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

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

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

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

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

10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this

Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Dated: December __, 2011

COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA) OF THE
COUNTY OF LOS ANGELES

By: _____
Its:

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles

Name of Bond Issue: Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Refunding Bonds Series 2011A

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of _____, 2011. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

_____,
as Dissemination Agent

cc: County of Los Angeles

ESCROW AGREEMENT

by and between the

COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and
as 1997 Paying Agent

Dated as of December 1, 2011

Relating to the Refunding of the
Community Facilities District No. 3 (Valencia/Newhall Area)
of the County of Los Angeles Improvement Area A
Special Tax Refunding Bonds, Series 1997A

ESCROW AGREEMENT

This ESCROW AGREEMENT, dated as of December 1, 2011, by and between the COMMUNITY FACILITIES DISTRICT NO. 3 (VALENCIA/NEWHALL AREA) OF THE COUNTY OF LOS ANGELES (the "District"), a community facilities district organized and existing under the laws of the State of California, acting through the Board of Supervisors of the County of Los Angeles as the legislative body, and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as escrow agent (the "Escrow Agent") and acting on behalf of the Treasurer and Tax-Collector of the County (the "Treasurer") as paying agent for the 1997 Bonds (described below) (the "1997 Paying Agent");

WITNESSETH:

WHEREAS, the District has previously issued its \$18,575,000 original principal amount of Improvement Area A Special Tax Refunding Bonds, Series 1997A (the "1997 Bonds") pursuant to an Indenture, dated as of April 1, 1997 (the "Indenture"), by and among the District, the Treasurer and the Auditor-Controller of the County, as fiscal agent; and

WHEREAS, the District desires to refund all of the currently outstanding 1997 Bonds; and

WHEREAS, the Board of Supervisors of the County of Los Angeles has approved the issuance by the District of the Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Tax Refunding Bonds, Series 2011A, the proceeds of which are to be used in part to effect the current refunding of the 1997 Bonds;

NOW, THEREFORE, in consideration of the mutual premises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. As used herein, the following terms shall have the following meanings:

"Code" means the Internal Revenue Code of 1986.

"Escrow Agent" means U.S. Bank National Association, and its successors and assigns, and any other corporation or institution that may at any time be substituted in its place as provided in Section 14 hereof.

"Escrow Fund" means the Escrow Fund established and held by the Escrow Agent pursuant to Section 3 hereof.

"Escrow Requirements" means the amount sufficient to pay principal, premium, if any, and interest with respect to the 1997 Bonds through and including the Redemption Date.

“Escrow Securities” means Defeasance Securities (as defined in the Indenture) deposited in the Escrow Fund pursuant to Section 5 hereof.

[“Escrow Verification Report” means the report prepared by the Verification Agent and attached hereto as Exhibit A.]

“Redemption Date” means March 1, 2012, the date on which the 1997 Bonds are to be redeemed.

“Refunding Bonds” means the Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles Improvement Area A Special Tax Refunding Bonds, Series 2011A.

[“Verification Agent” means _____.]

SECTION 2. The District hereby appoints U.S. Bank National Association as Escrow Agent under this Escrow Agreement for the benefit of the owners of the 1997 Bonds. The Escrow Agent hereby accepts the duties and obligations of Escrow Agent under this Escrow Agreement and agrees that the irrevocable instructions to the Escrow Agent herein provided are in a form satisfactory to it. The applicable and necessary provisions of the Indenture, including particularly the redemption provisions thereof, are incorporated herein by reference. Reference herein to, or citation herein of, any provisions of the Indenture shall be deemed to incorporate the same as a part hereof in the same manner and with the same effect as if the same were fully set forth herein.

SECTION 3. There is created and established with the Escrow Agent a special and irrevocable trust fund designated the “Escrow Fund” (the “Escrow Fund”), to be held by the Escrow Agent separate and apart from all other funds and accounts, and used only for the purposes and in the manner provided in this Escrow Agreement.

SECTION 4. The District herewith deposits, or causes to be deposited, with the Escrow Agent into the Escrow Fund, to be held in irrevocable trust by the Escrow Agent and to be applied solely as provided in this Escrow Agreement, the sum of \$_____, as follows:

- (i) from the proceeds of the Refunding Bonds, the sum of \$_____; and
- (ii) from the Reserve Fund created under Section 4.01 of the Indenture, the sum of \$_____.

SECTION 5. The Escrow Agent acknowledges receipt of the moneys described in Section 4. The Escrow Agent agrees immediately to invest \$_____ of such amounts in the Escrow Securities set forth in Exhibit B hereto, and to deposit such Escrow Securities in the Escrow Fund and to retain the amount of \$_____ in cash in the Escrow Fund.

The Escrow Agent shall not have the power to sell, transfer, request the redemption of or otherwise dispose of some or all of the Escrow Securities in the Escrow Fund or to substitute other Escrow Securities therefor.

SECTION 6. As the principal of the Escrow Securities shall mature and be paid, and the investment income and earnings thereon are paid, the Escrow Agent shall not reinvest such moneys[, except as may be required pursuant to the Verification Report.] Such amounts shall be applied by the Escrow Agent to the payment of the Escrow Requirements for the equal and ratable benefit of the owners of the 1997 Bonds.

SECTION 7. The District has caused schedules to be prepared relating to the sufficiency of the anticipated receipts from the Escrow Securities listed in Exhibit B to pay the Escrow Requirements.

SECTION 8. The District hereby directs and the Escrow Agent hereby agrees that the Escrow Agent will take all the actions required to be taken by it hereunder, in order to effectuate this Escrow Agreement. The liability of the Escrow Agent for the payment of the Escrow Requirements shall be limited to the application, in accordance with this Escrow Agreement, of the principal amount of the Escrow Securities and the interest earnings thereon available for such purposes in the Escrow Fund.

SECTION 9. The District irrevocably instructs the Escrow Agent to pay to the 1997 Paying Agent, on the Redemption Date, from amounts held in the Escrow Fund, the amount equal to the redemption price of the remaining \$_____ aggregate principal amount of the 1997 Bonds called for redemption on the Redemption Date, including redemption premium, if any, plus interest accrued thereon to the Redemption Date. The District irrevocably instructs the 1997 Paying Agent under the Indenture to mail a notice of redemption of the 1997 Bonds, as provided in Section 3.04 of the Indenture.

SECTION 10. The trust hereby created shall be irrevocable and the owners of the 1997 Bonds shall have an express lien limited to all moneys and Escrow Securities in the Escrow Fund, including the interest earnings thereon, until paid out, used and applied in accordance with this Escrow Agreement.

SECTION 11. This Agreement is made pursuant to and in furtherance of the Indenture and for the benefit of the District and the owners from time to time of the 1997 Bonds and it shall not be repealed, revoked, altered, amended or supplemented without the written consent of all such owners and the written consent of the Escrow Agent and the District; provided, however, that the District and the Escrow Agent may, without the consent of, or notice to, such owners enter into such amendments or supplements as shall not be inconsistent with the terms and provisions of this Escrow Agreement, for any one or more of the following purposes:

(a) to cure an ambiguity or formal defect or omission in this Escrow Agreement;

(b) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 1997 Bonds, any additional rights, remedies, powers or District that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and

(c) to transfer to the Escrow Agent and make subject to this Escrow Agreement additional funds, securities or properties.

The Escrow Agent and 1997 Paying Agent shall be entitled conclusively to rely upon [the Verification Report, and upon] an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification or addition affects the rights of the owners of the 1997 Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. In consideration of the services rendered by the Escrow Agent under this Escrow Agreement, the District agrees to and shall pay to the Escrow Agent its fees, plus expenses, including all reasonable expenses, charges, counsel fees and other disbursements incurred by it or by its attorneys, agents and employees in and about the performance of their powers and duties hereunder, and the Escrow Agent shall have no lien whatsoever upon any of the moneys or Escrow Securities in the Escrow Fund for the payment of such proper fees and expenses.

SECTION 13. The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the trusts hereby created by giving not less than 60 days' written notice to the District and the 1997 Paying Agent, specifying the date when such resignation will take effect in the same manner as a notice is to be mailed pursuant to Section 9 hereof, but no such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the owners of the 1997 Bonds or by the District as hereinafter provided and such successor Escrow Agent shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, delivered to the Escrow Agent and to the District and the 1997 Paying Agent and signed by the owners of a majority in principal amount of the 1997 Bonds.

In the event the Escrow Agent hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in the case the Escrow Agent shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Escrow Agent may be appointed by the owners of a majority in principal amount of the 1997 Bonds, by an instrument or concurrent instruments in writing, signed by such owners, or by their attorneys in fact, duly authorized in writing; provided, nevertheless, that in any such event, the District shall appoint a temporary Escrow Agent to fill such vacancy until a successor Escrow Agent shall be appointed by the owners of a majority in principal amount of the 1997 Bonds, and any such temporary Escrow Agent so appointed by the District shall immediately and without further act be superseded by the Escrow Agent so appointed by such owners.

In the event that no appointment of a successor Escrow Agent or a temporary successor Escrow Agent shall have been made by such owners or the District pursuant to the foregoing provisions of this Section within 60 days after written notice of the removal or resignation of the Escrow Agent has been given to the District, the owner of any of the 1997 Bonds or any retiring Escrow Agent may apply to any court of competent jurisdiction for the appointment of a successor Escrow Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Escrow Agent.

No successor Escrow Agent shall be appointed unless such successor Escrow Agent shall be a corporation or institution with trust powers organized under the financial institution laws of the United States or any state, and shall have at the time of appointment capital and surplus of not less than \$50,000,000. For purpose of this Section, a corporation or institution with trust powers organized under the financial institution laws of the United States or any state shall be deemed to have combined capital and surplus of at least \$50,000,000 if it has a combined capital surplus of at least \$20,000,000 and is a wholly owned subsidiary of a corporation having a combined capital and surplus of at least \$50,000,000.

Every successor Escrow Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the District, an instrument in writing accepting such appointment hereunder and thereupon such successor Escrow Agent without any further act, deed or conveyance, shall become fully vested with all the rights, immunities, powers, trust, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of such successor Escrow Agent or the District execute and deliver an instrument transferring to such successor Escrow Agent all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Escrow Agent shall deliver all securities and moneys held by it to its successor. Should any transfer, assignment or instrument in writing from the District be required by any successor Escrow Agent for more fully and certainly vesting in such successor Escrow Agent the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor Escrow Agent, any such transfer, assignment and instrument in writing shall, on request, be executed, acknowledged and delivered by the District.

Any corporation or association into which the Escrow Agent, or any successor to it in the trusts created by this Escrow Agreement, may be merged or converted or with which it or any successor to it may be consolidated, or any corporation resulting from any merger, conversion, consolidation or reorganization to which the Escrow Agent or any successor to it shall be a party or any successor to a substantial portion of the Escrow Agent's corporate trust business, shall, if it meets the qualifications set forth in the fifth paragraph of this Section, be the successor Escrow Agent under this Escrow Agreement without the execution or filing of any paper or any other act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. The liability of the Escrow Agent to make payments required in the Agreement shall be limited to the moneys and Escrow Securities in the Escrow Fund.

SECTION 14. The Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement except as provided in Sections 5 and 6 hereof. The Escrow Agent shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided in this Escrow Agreement.

SECTION 15. To the extent permitted by law, the District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or

instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of any securities to be purchased pursuant thereto, the retention of such securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement. The District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's successors, assigns, agents and employees or the material breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Escrow Agreement and the resignation or removal of the Escrow Agent.

SECTION 16. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the redemption of the 1997 Bonds pursuant to the Indenture or to the validity of this Escrow Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of nationally recognized bond counsel) may be deemed to be conclusively established by a written certification of the District. Whenever the Escrow Agent shall deem it necessary or desirable that a matter specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of nationally recognized bond counsel be proved or established prior to taking, suffering, or omitting any such action, such matter may be established only by such a certificate or such an opinion. The Escrow Agent shall incur no liability for losses arising from any investment made pursuant to this Escrow Agreement.

No provision of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow

Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 17. This Escrow Agreement shall terminate upon payment of all 1997 Bonds on the Redemption Date. Upon such termination, all moneys remaining in the Escrow Fund after payment of all fees and expenses of the Escrow Agent shall be released to the District.

SECTION 18. This Escrow Agreement is made in the State of California under the Constitution and laws of the State of California and is to so be construed.

SECTION 19. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

All the covenants, promises and agreements in this Escrow Agreement contained by or on behalf of the District or by or on behalf of the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 20. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed by their duly authorized officers as of the date first-above written.

COMMUNITY FACILITIES DISTRICT NO. 3
(VALENCIA/NEWHALL AREA)
OF THE COUNTY OF LOS ANGELES
ACTING THROUGH THE BOARD OF
SUPERVISORS OF THE COUNTY OF LOS
ANGELES AS THE LEGISLATIVE BODY

By _____
Mayor

ATTEST:
SACHI A. HAMAI,
EXECUTIVE OFFICER-CLERK
OF THE BOARD OF SUPERVISORS

By _____
Deputy

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and as 1997 Paying Agent

By _____
Authorized Officer

Exhibit A
[Escrow Verification Report]

Exhibit B
Schedule of Escrow Securities

<u>Principal Amount</u>	<u>Security</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Purchase Price</u>
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Total