

CITY COUNCIL RESOLUTION _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$40,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF IRVINE LIMITED OBLIGATION IMPROVEMENT BONDS, REASSESSMENT DISTRICT NO. 11-2, APPROVING THE EXECUTION AND DELIVERY OF A FISCAL AGENT AGREEMENT, AN ESCROW AGREEMENT, A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT AND THE PREPARATION OF AN OFFICIAL STATEMENT AND OTHER MATTERS RELATED THERETO

WHEREAS, the City of Irvine, California (the City) authorized and issued its City of Irvine Assessment District No. 00-18 Improvement Bonds, Group Three (the AD No. 00-18 Group Three Bonds) for the purpose of financing certain capital facilities within Assessment District No. 00-18; and

WHEREAS, the City authorized and issued its City of Irvine Assessment District No. 87-8 Improvement Bonds, Group Five (the AD No. 87-8 Group Five Bonds) for the purpose of financing certain capital facilities within Assessment District No. 87-8; and

WHEREAS, the City authorized and issued its City of Irvine Assessment District No. 93-14 Improvement Bonds, Group One (the AD No. 93-14 Group One Bonds) for the purpose of financing certain capital facilities within Assessment District No. 93-14; and

WHEREAS, the Irvine Public Facilities and Infrastructure Authority (the Authority) authorized and issued its Assessment Revenue Bonds, Series A (the Series A Authority Bonds) pursuant to an Indenture of Trust, dated as of January 1, 1999, by and between the Authority and Chase Bank of Texas, National Association, as Trustee (the Series A Authority Bonds Indenture) for the purpose of purchasing certain bonds issued for Reassessment District No. 99-1 and Reassessment District No. 99-2; and

WHEREAS, all of the above-described Bonds shall hereinafter be referred to collectively as the Prior Bonds; and

WHEREAS, the City Council, by a resolution entitled A Resolution of the City Council of the City of Irvine Declaring Its Intention to Levy Reassessments and to Issue Refunding Bonds Upon the Security Thereof in Reassessment District No. 11-2, adopted on November 22, 2011 (the Resolution of Intention), has conducted reassessment and refunding proceedings under the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 (commencing with Section 9500) of the California Streets and Highways Code for the City's Reassessment District No. 11-2 (the District) to which proceedings reference is hereby made for further particulars; and

WHEREAS, there is on file with the Treasurer of the City a list of all reassessments within the District, which remain unpaid (the List of Unpaid Reassessments), to which list reference is made for further particulars; and

WHEREAS, the City desires to refund the Prior Bonds; and

WHEREAS, in order to provide the moneys required to refund the Prior Bonds, the City desires to authorize the issuance of the City of Irvine Limited Obligation Improvement Bonds, Reassessment District No. 11-2 (the Bonds), in an aggregate principal amount of not to exceed \$40,000,000; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the City proposes to enter into a Fiscal Agent Agreement with The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the Fiscal Agent) (such Fiscal Agent Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this resolution, being referred to herein as the Fiscal Agent Agreement); and

WHEREAS, in order to provide for the defeasance and redemption of the Prior Bonds, the City proposes to enter into an Escrow Agreement with The Bank of New York Mellon Trust Company, N.A., as escrow agent (such Escrow Agreement in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this resolution being referred to herein as the Escrow Agreement); and

WHEREAS, the Irvine Public Facilities and Financing Authority (the Authority) has submitted to the City a proposed form of an agreement to purchase the Bonds (the Bond Purchase Agreement); and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (Rule 15c2-12) requires that, in order to be able to purchase or sell the Bonds, any Underwriter must have reasonably determined that an obligated person has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide disclosure of certain financial information and certain material events on an ongoing basis; and

WHEREAS, in order to cause such requirement to be satisfied, the City desires to enter into a Continuing Disclosure Agreement (the Continuing Disclosure Agreement) with the Fiscal Agent; and

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (a) the Fiscal Agent Agreement (attached hereto as Exhibit 1);
- (b) the Escrow Agreement (attached hereto as Exhibit 2);
- (c) the Bond Purchase Agreement (attached hereto as Exhibit 3);
- (d) the Continuing Disclosure Agreement (attached hereto as Exhibit 4); and

- (e) the Preliminary Official Statement (attached hereto as Exhibit 5) to be used in connection with the offering and sale of the Bonds, which contains certain information about the City, the Fiscal Agent Agreement, related Authority as defined herein, the Authority Bonds, the District and the proceedings relating thereto (such Preliminary Official Statement in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this resolution, being referred to herein as the Preliminary Official Statement); and

WHEREAS, the City desires to proceed to issue and sell the Bonds and to authorize the execution of such documents and the performance of such acts as may be necessary or desirable to effect the offering, sale and issuance of the Bonds.

NOW, THEREFORE, BE IT RESOLVED by the City Council the City of Irvine as follows:

Section 1. The reassessments now remaining unpaid are as shown on the List of Unpaid Reassessments, which list is hereby approved and incorporated herein by this reference. The total amount of the unpaid reassessments is not to exceed \$40,000,000. For a particular description of the lots, pieces and parcels of land bearing the respective reassessment numbers set forth in the List of Unpaid Reassessments, reference is hereby made to the reassessment and to the reassessment diagram, and any amendments thereto approved by the City Council, all as recorded in the office of the Superintendent of Streets of the City, after confirmation thereof by the City Council.

Section 2. Subject to the provisions of Section 3 hereof, the issuance of the Bonds, in the aggregate principal amount of not to exceed \$40,000,000, on the terms and conditions set forth in, and subject to the limitations specified in, the Fiscal Agent Agreement, is hereby authorized and approved. The Bonds shall be dated, shall bear interest at the rates, shall mature on the dates, shall be issued in the form, and shall be as otherwise provided in the Fiscal Agent Agreement, as the same shall be completed as provided in this resolution.

Section 3. The Fiscal Agent Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The Mayor of the City, or such other member of the City Council as the Mayor may designate, the City Manager of the City and the Director of Administrative Services of the City (the Authorized Officers) are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Fiscal Agent Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Fiscal Agent Agreement by such Authorized officer; provided, however, that such changes, insertions and omissions shall not authorize an aggregate principal amount of Bonds in excess of \$40,000,000 shall not result in a final maturity date of the Bonds later than September 2, 2026 and shall not result in a true interest cost on the Bonds in excess of 5.50%.

Section 4. The Escrow Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Escrow Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Escrow Agreement by such Authorized Officer.

Section 5. The Bond Purchase Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Bond Purchase Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Bond Purchase Agreement by such Authorized Officer.

Section 6. The Continuing Disclosure Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Continuing Disclosure Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Continuing Disclosure Agreement by such Authorized Officer.

Section 7. The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes therein as may be approved by an Authorized Officer, be and the same is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Authority Bonds is hereby authorized and approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to certify to the Underwriter, that the Preliminary Official Statement has been deemed final for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Section 8. The preparation and delivery of a final Official Statement (the Official Statement), and its use in connection with the offering and sale of the Bonds, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are, and each of them is, hereby authorized and directed to execute the final Official Statement, and any amendment or supplement thereto, for and in the name of the City.

Section 9. The Authorized Officers are, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the issuance of the Bonds and the transactions contemplated by the Fiscal Agent Agreement, the Escrow Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Official Statement and this resolution.

Section 10. All actions heretofore taken by the officers and employees of the City with respect to the District, the reassessments, the refunding of the Prior Bonds or the issuance and sale of the Bonds, or in connection with or related to any of the agreements or documents referenced herein, are hereby approved, confirmed and ratified.

Section 11. This resolution shall take effect immediately upon its adoption.

Section 12. The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED by the City Council of the City of Irvine at a regular meeting held on the 22nd day of November, 2011.

MAYOR OF THE CITY IRVINE

ATTEST:

CITY CLERK OF THE CITY OF IRVINE

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS
CITY OF IRVINE)

I, SHARIE APODACA, City Clerk of the City of Irvine, HEREBY DO CERTIFY that the foregoing resolution was duly adopted at a regular meeting of the City Council of the City of Irvine, held on the 22nd day of November, 2011, by the following vote:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

ABSTAIN: COUNCILMEMBERS:

CITY CLERK OF THE CITY OF IRVINE

FISCAL AGENT AGREEMENT

BY AND BETWEEN THE

CITY OF IRVINE

AND

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
AS FISCAL AGENT**

DATED AS OF DECEMBER 1, 2011

**RELATING TO
\$ _____
CITY OF IRVINE
LIMITED OBLIGATION IMPROVEMENT BONDS
REASSESSMENT DISTRICT NO. 11-2**

FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (this "Agreement") is made and entered into as of December 1, 2011 by and between the CITY OF IRVINE, a charter city and municipal corporation organized and existing under and by virtue of the laws of the State of California and its charter (the "City"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, as fiscal agent (the "Fiscal Agent").

W I T N E S S E T H:

WHEREAS, the City of Irvine, California (the "City") authorized and issued its City of Irvine Assessment District No. 00-18 Improvement Bonds, Group Three (the "AD No. 00-18 Group Three Bonds") pursuant to an Indenture of Trust dated as of _____, by and between the City and the _____. (the "AD No. 00-18 Group Three Indenture") for the purpose of financing certain capital facilities within Assessment District No. 00-18;

WHEREAS, the City of Irvine, California (the "City") authorized and issued its City of Irvine Assessment District No. 87-8 Improvement Bonds, Group Five (the "AD No. 87-8 Group Five Bonds") pursuant to an Indenture of Trust dated as of _____, by and between the City and the _____ (the "AD No. 87-8 Group Five Indenture") for the purpose of financing certain capital facilities within Assessment District No. 87-8;

WHEREAS, the City of Irvine, California (the "City") authorized and issued its City of Irvine Assessment District No. 93-14 Improvement Bonds, Group One (the "AD No. 93-14 Group One Bonds") pursuant to an Indenture of Trust dated as of _____, by and between the City and the _____ (the "AD No. 93-14 Group One Indenture") for the purpose of financing certain capital facilities within Assessment District No. 93-14;

WHEREAS, the Irvine Public Facilities and Infrastructure Authority (the "Authority") authorized and issued its Assessment Revenue Bonds, Series A (the "Series A Authority Bonds") pursuant to an Indenture of Trust, dated as of January 1, 1999, by and between the Authority and The Bank of New York Mellon Trust Company as successor to Chase Bank of Texas, National Association, as Trustee (the "Series A Authority Bonds Indenture") for the purpose of purchasing certain bonds issued for Reassessment District No. 99-1 and Reassessment District No. 99-2; and

WHEREAS, all of the above-described bonds shall hereinafter be referred to collectively as the "Prior Bonds; and

WHEREAS, on _____, 2011, the City Council of the City passed and adopted Resolution No. _____ (the "Resolution of Intention") relating to the levy of reassessments and issuance of refunding bonds pursuant to the Refunding Act of 1984 for 1915 Improvement Bonds, Division 11.5 (commencing with Section 9500) of the California Streets and Highways Code (the "Refunding Law") in and for a portion of the assessment districts relating to the Prior Bonds and, by the Resolution of Intention, the City Council of the City provided that serial and/or term bonds would be issued thereunder pursuant to the provisions of the Improvement Bond Act of 1915, Division 10 of the California Streets and Highways Code (the "Bond Law" and, together with the Refunding Law, the "Act"); and reference to the Resolution of Intention is hereby expressly made for further particulars;

WHEREAS, under the provisions of the Act, on November 22, 2011, the City Council of the City adopted Resolution No. _____ (the “Resolution of Issuance”), which, among other matters, authorized the issuance of refunding improvement bonds of the City designated “City of Irvine Limited Obligation Improvement Bonds, Reassessment District No. 11-2 (the “Bonds”), upon the security of the unpaid reassessments and provided that said issuance would be in accordance with the Act and this Agreement, and authorized the execution hereof;

WHEREAS, it is in the public interest and for the benefit of the City and the owners of the Bonds that the City enter into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the reassessments securing the Bonds and the administration and payment of the Bonds; and

WHEREAS, the City has determined that all things necessary to cause the Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution of Issuance and this Agreement, to be legal, valid and binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

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

**ARTICLE I.
STATUTORY AUTHORITY AND DEFINITIONS**

Section 1.01 Authority for this Agreement.

This Agreement is entered into pursuant to the provisions of the Act and the Resolution of Issuance.

Section 1.02 Definitions.

Unless the context otherwise requires, the terms defined in this Section 1.02 shall for all purposes of this Agreement, of any Supplemental Agreement and of any certificate, opinion or other document herein or therein mentioned, have the meanings herein specified.

“**Act**” means, collectively, the Improvement Bond Act of 1915, as amended, being Division 10 of the California Streets and Highways Code, and the Refunding Act of 1984 for 1915 Improvement Act Bonds, as amended, being Division 11.5 of the California Streets and Highways Code.

“**Agreement**” means this Fiscal Agent Agreement, as originally executed or as it may from time to time be amended or supplemented by any Supplemental Agreement.

“**Assessment Consultant**” means Willdan Financial Services or any other consultant or firm of financial consultants appointed by the City and who or each of whom (a) is judged by the City to have experience with respect to the administration of assessment districts, (b) is in fact independent and not under the domination of the City, (c) does not have any substantial interest,

direct or indirect, with the City, and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Assessment District” means the area designated “Reassessment District No. 11-2”, formed by the City under the Act.

“Auditor” means the Auditor/Controller of the County, or such other official of the County who is responsible for preparing property tax bills.

“Authority” means the Irvine Public Facilities and Infrastructure Authority.

“Authorized Representative” means, with respect to the City, its City Manager, Assistant City Manager, Director of Administrative Services, or Manager of Fiscal Services, or any other Person designated as an Authorized Representative of the City in a Written Certificate of City filed with the Fiscal Agent.

“Beneficial Owner” means, whenever used with respect to a Book-Entry Bond, the person whose name is recorded as the beneficial owner of such Book-Entry Bond or a portion of such Book-Entry Bond by a Participant on the records of such Participant or such person’s subrogee.

“Bond Counsel” means a firm of nationally recognized bond counsel selected by the City and acceptable to the Fiscal Agent.

“Bond Year” means each twelve-month period beginning on September 3 in each year and extending to the next succeeding September 2, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 2, 2012.

“Bonds” means the City of Irvine Limited Obligation Improvement Bonds, Reassessment District No. 11-2 issued hereunder.

“Business Day” means any day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California or in any state where the Office of the Fiscal Agent is located are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“City” means the City of Irvine, and any successor thereto.

“Clerk” means the Clerk or Deputy Clerk of the City.

“Closing Date” means the date upon which the Bonds are delivered to the Original Purchaser, being _____.

“Code” means the Internal Revenue Code of 1986.

“Continuing Costs Account” means the account within the Redemption Fund by that name established and held by the Fiscal Agent pursuant to Section 5.04.

“Continuing Costs of the Bonds” means the continuing costs of the Bonds, including the fees, costs and indemnifications due the Fiscal Agent or the City.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent and its counsel, including the Fiscal Agent’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Fiscal Agent pursuant to Section 3.03.

“Council” means the City Council, as the legislative body of the City.

“County” means the County of Orange, State of California.

“Dated Date” means the dated date of the Bonds, being _____.

“Escrow Agreement” means the Escrow Agreement dated as of December 1, 2011, by and between the City and the Prior Trustee, acting as the escrow agent, relating to the Prior Bonds being refunded on _____.

“Escrow Fund” means the fund by that name established by the Escrow Agreement, relating to the Prior Bonds.

“Fiscal Agent” means The Bank of New York Mellon Trust Company, N.A., a national banking association, or any successor thereto as Fiscal Agent hereunder, appointed as provided herein.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the City designated in a Written Certificate of the City delivered to the Fiscal Agent.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service”, One Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07308, Attention: Editor; Mergent Incorporated, 580 Kingsley Park Drive, Fort Mill, South Carolina 29715; Standard & Poor’s Corporation “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Interest Payment Dates” means March 2 and September 2 of each year, commencing March 2, 2012, so long as any Bonds remain Outstanding.

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

“Office” means the principal corporate trust office of the Fiscal Agent in Los Angeles, California, or such other office as may be specified to the City by the Fiscal Agent in writing except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

“Original Purchaser” means the Authority as the original purchaser of the Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Fiscal Agent under this Agreement except:

(a) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(b) Bonds with respect to which all liability of the City shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) disqualified under Section 11.09; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to this Agreement.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Permitted Investments” means any of the following to the extent then permitted by the general laws of the State of California:

(1) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration

- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, which may include the Fiscal Agent or its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including those for which the Fiscal Agent or an affiliate receives compensation with respect to such money market fund;

(7) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B)(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph 1 above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable

instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; and

(8) General obligations of states with a rating of at least “A2/A” or higher by both Moody’s and S&P;

The value of the above investments shall be determined as follows:

(1) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Fiscal Agent in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) As to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(4) As to any investment of deposit and bankers acceptances: the value thereof established by prior agreement between the City and the Fiscal Agent.

(5) Notwithstanding the above, the Fiscal Agent may determine value by accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, and Salomon Smith Barney.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Prepayment Account” means the account within the Redemption Fund by that name established and held by the Fiscal Agent pursuant to Section 5.03.

“Prior Bonds” means the limited obligation improvement bonds set forth on Exhibit ___.

“Prior Districts” means those Assessment Districts, or portions thereof, set forth on Exhibit ___.

“Prior Trustee” means each entity acting as the trustee, paying agent, or fiscal agent for any of the Prior Bonds.

“Project” means the improvements to be acquired, constructed and installed described in the Resolution of Intention.

“Reassessments” means the reassessments levied within the Reassessment District by the Council under the proceedings taken pursuant to the Resolution of Intention.

“Reassessment District” means City of Irvine Reassessment District No. 11-2.

“Record Date” means: (a) the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day, and (b) any date established by the Fiscal Agent pursuant to Section 2.02(c) as a Record Date for the payment of defaulted interest on the Bonds, if any.

“Redemption Fund” means the fund by that name established and held by the Fiscal Agent pursuant to Section 5.02.

“Redemption Price” means the aggregate amount of principal of and premium (if any) on the Bonds upon the redemption thereof pursuant hereto.

“Registration Books” means the records maintained by the Fiscal Agent for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.04.

“Reserve Fund” means the fund by that name established and held by the Fiscal Agent pursuant to Section 5.05.

“Reserve Requirement” means, as of any date of any calculation, an amount equal to the least of (i) 10% of the original aggregate principal amount of the Bonds, (ii) Maximum Annual Debt Service on the Bonds, and (iii) 125% of Average Annual Debt Service on the Bonds.

“Resolution of Intention” means Resolution No. _____, adopted by the Council on November 22, 2011.

“Resolution of Issuance” means Resolution No. _____, adopted by the Council on November 22, 2011, authorizing the issuance of the Bonds.

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

“Supplemental Agreement” means any agreement amendatory of or supplemental to this Agreement, but only if and to the extent that such Supplemental Agreement is specifically authorized hereunder.

“Treasurer” means the Treasurer of the City, or a designee thereof.

“Written Certificate” and **“Written Request”** of the City mean, respectively, a written certificate or written request signed in the name of the City by its Authorized Representative.

Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Section 1.03 Interpretation.

(a) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(b) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.04 Agreement Constitutes Contract.

In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall hold the same from time to time, this Agreement shall be deemed to be and shall constitute a contract among the City, the Fiscal Agent and the Owners of the Bonds. The pledge made in this Agreement and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

**ARTICLE II.
THE BONDS**

Section 2.01 Authorization of Bonds.

The City hereby authorizes the issuance of the Bonds under and subject to the terms of the Resolution of Issuance and this Agreement, the Act and other applicable laws of the State of California for the purpose of providing a portion of the moneys to refund the Prior Bonds.

Section 2.02 Terms of Bonds.

(a) The Bonds shall be designated “City of Irvine Limited Obligation Improvement Bonds, Reassessment District No. 11-2”, and shall be secured by and payable from the Reassessments and other assets pledged hereunder. The aggregate principal amount of Bonds that may be issued and Outstanding under this Agreement shall not exceed \$_____, except as may be otherwise provided in Section 2.07.

(b) The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall be dated as of the Dated Date, shall be issued in the aggregate principal amount of \$_____, shall mature on September 2 of each year and shall

bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates per annum set forth below:

<u>Year (September 2)</u>	<u>Principal</u>	<u>Interest Rate</u>
---------------------------	------------------	----------------------

(c) Interest on the Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Dated Date, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest shall be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special Record Date to be established by the Fiscal Agent for the payment of such defaulted interest to be fixed by the Fiscal Agent, notice of which shall be given to such Owner not less than ten days prior to such special Record Date. Interest shall be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each Interest Payment Date to the Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Fiscal Agent, received at least ten days prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest shall be made by wire transfer of immediately available funds on the following Interest Payment Date.

(d) The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Fiscal Agent. Payment of principal of and premium, if

any, on any Bond shall be made only upon presentation and surrender of such Bond at the Office of the Fiscal Agent.

(e) The Bonds shall be subject to redemption as provided in Article IV.

(f) The Bonds shall be in substantially the form set forth in Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 2.03 Transfer and Exchange of Bonds.

Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Fiscal Agent. Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Fiscal Agent shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount, in any authorized denomination. The Fiscal Agent shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Fiscal Agent for a like aggregate principal amount of Bonds of other authorized denominations. The Fiscal Agent shall require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Fiscal Agent shall not be obligated to make any transfer or exchange of Bonds pursuant to this Section 2.03 during the period established by the Fiscal Agent for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

Section 2.04 Registration Books.

The Fiscal Agent will keep or cause to be kept, at the Office of the Fiscal Agent, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon 24 hours notice by the City; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

Section 2.05 Execution of Bonds.

The Bonds shall be executed in the name and on behalf of the City with the facsimile signature of the Treasurer attested by the manual or facsimile signature of the City Clerk. The City's seal or a facsimile thereof, may be reproduced, imprinted or impressed on the Bonds. The Bonds shall then be delivered to the Fiscal Agent for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the City before the Bonds so signed or attested shall have been authenticated or delivered by the Fiscal Agent, or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City, and also any Bonds may be signed and attested on behalf of the City by

such Persons as at the actual date of execution of such Bonds shall be the proper officers of the City although at the nominal date of such Bonds any such Person shall not have been such officer of the City.

Section 2.06 Authentication of Bonds.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of or on behalf of the Fiscal Agent shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.07 Temporary Bonds.

The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City and authenticated by the Fiscal Agent upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Office of the Fiscal Agent and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.08 Bonds Mutilated, Lost, Destroyed or Stolen.

If any Bond shall become mutilated, the City, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and delivered to, or upon the order of, the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence and indemnity satisfactory to the Fiscal Agent shall be given, the City, at the expense of the Owner, shall execute, and the Fiscal Agent shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a replacement Bond, the Fiscal Agent may pay the same without surrender thereof). The City may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under this Section and of the expenses which may be incurred by the City and the Fiscal Agent. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost,

destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Agreement with all other Bonds secured by this Agreement.

Section 2.09 Limited Obligation.

All obligations of the City under this Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Reassessments and the other assets pledged therefor hereunder. Neither the faith and credit of the City nor of the State of California or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds are "Limited Obligation Improvement Bonds" as provided in Section 11.01.

Section 2.10 No Acceleration.

The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the prepayment or redemption of Bonds under Article IV hereof, or the defeasance of the Bonds and discharge of this Agreement under Article X hereof.

Section 2.11 Refunding of Bonds.

The Bonds may be refunded by the City under Divisions 11 or 11.5 of the California Streets and Highways Code upon the conditions set forth in proceedings therefor, all as determined by the Council.

**ARTICLE III.
ISSUANCE OF BONDS**

Section 3.01 Issuance of Bonds.

Concurrently with the execution of this Agreement, the City shall execute and the Fiscal Agent shall authenticate the Bonds and deliver the Bonds to the Original Purchaser in the aggregate principal amount of \$_____.

Section 3.02 Application of Proceeds of the Bonds.

On the Closing Date, the net proceeds of the sale of the Bonds plus \$_____ released from the Reserve Funds for the Prior Bonds and \$_____ released from the Debt Service Funds for the Prior Bonds shall be paid to the Fiscal Agent and said amounts shall be transferred or deposited by the Fiscal Agent as follows:

- (a) The Fiscal Agent shall deposit the amount of \$_____ in the Reserve Fund, constituting the full amount of the Reserve Requirement.
- (b) The Fiscal Agent shall deposit the amount of \$_____ in the Costs of Issuance Fund.
- (c) The Fiscal Agent shall transfer to the Escrow Agent under the Escrow Agreement the amount of \$_____ which will be deposited in the Escrow Fund established thereunder.

Section 3.03 Costs of Issuance Fund.

There is hereby established a separate fund to be known as the “Costs of Issuance Fund”, which shall be held by the Fiscal Agent in trust. On the Closing Date there shall be deposited in the Costs of Issuance Fund the amount specified in Section 3.02(b).

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Fiscal Agent from time to time to pay the Costs of Issuance upon submission of a Written Request of the City stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund; in each case together with a statement or invoice for each amount requested thereunder. On September 2, 2012, all amounts remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Fiscal Agent and transferred to the Redemption Fund and the Costs of Issuance Fund shall be closed.

**ARTICLE IV.
REDEMPTION OF BONDS**

Section 4.01 Redemption.

(a) Optional Redemption. The Bonds shall be subject to optional redemption in whole or in part on such basis as shall be designated by the City in a Written Certificate of the City filed with the Fiscal Agent, on any Interest Payment Date on or after March 2, 2012, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 2, 20__ through March 2, 20__	103%
September 2, 20__ and March 2, 20__	102
September 2, 20__ and March 2, 20__	101
September 2, 20__ and thereafter	100

(b) Mandatory Redemption From Reassessment Prepayments. The Bonds shall be subject to mandatory redemption, in whole or in part pursuant to Streets and Highways Code Section 8768, on any Interest Payment Date, from and to the extent of any prepayment of Reassessments, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 2, 20__ through March 2, 20__	103%
September 2, 20__ and March 2, 20__	102
September 2, 20__ and March 2, 20__	101
September 2, 20__ and thereafter	100

The City shall notify the Fiscal Agent of Bonds to be called for redemption upon prepayment of Reassessments in amounts sufficient therefor, or whenever sufficient surplus funds are available therefor on the Redemption Fund.

Section 4.02 Notice of Redemption.

Written notice of any redemption shall be given by the City to the Fiscal Agent at least forty-five (45) days prior to the date of redemption (unless a shorter time shall be acceptable to the Fiscal Agent for its convenience). The Fiscal Agent on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the sufficiency of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Section 4.03 Selection of Bonds for Redemption.

Whenever provision is made in this Agreement for the redemption of less than all of the Bonds maturing on a particular date, the Fiscal Agent shall select the Bonds to be redeemed from all Bonds not previously called for redemption, by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Section 4.04 Partial Redemption of Bonds.

Upon surrender of any Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Section 4.05 Effect of Notice of Redemption.

Notice having been mailed as aforesaid, and moneys for the redemption (including the interest to the applicable date fixed for redemption and including any applicable premium), having been deposited in the Redemption Fund or Prepayment Account, as applicable, the Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Fiscal Agent, said Bonds shall be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the redemption of all the Bonds to be redeemed, together with interest to said date, shall be held by the Fiscal Agent so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Fiscal Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and the Fiscal Agent shall deliver a certificate of destruction to the City.

**ARTICLE V.
SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS**

Section 5.01 Pledge.

Subject only to the provisions of this Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Reassessments (including prepayments thereof), together with interest and any penalties thereon, and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to this Agreement are hereby pledged by the City to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of this Agreement and the Act. Said pledge shall constitute a first lien on such assets.

Section 5.02 Redemption Fund.

(a) The Fiscal Agent shall establish, maintain and hold in trust a special fund designated the “Redemption Fund.” Except as otherwise provided herein, the Fiscal Agent shall deposit in the Redemption Fund all Reassessments (other than prepayments thereof), together with interest and any penalties thereon, and any other amounts required to be deposited therein by this Agreement or the Act.

(b) On or before each Interest Payment Date, the Fiscal Agent shall withdraw from the Redemption Fund for payment to the Owners of the Bonds the principal, if any, of and interest then due and payable on the Bonds. Five Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Redemption Fund are sufficient to pay the principal, if any, of and interest due on the Bonds on such Interest Payment Date. In the event that amounts in the Redemption Fund are insufficient for such purpose, the Fiscal Agent, on or before such Interest Payment Date, shall withdraw from the Reserve Fund to the extent of any funds therein the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Redemption Fund. Amounts so withdrawn from the Reserve Fund and deposited in the Redemption Fund shall be applied to the payment of the Bonds. Subject to Streets and Highways Code Section 8770, after the foregoing transfer, there are insufficient funds in the Redemption Fund to pay the principal, if any, of and interest on the Bonds, as provided in Section 7.04(b), the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal of the Bonds unless the Council directs otherwise.

Section 5.03 Prepayment Account.

The Fiscal Agent shall establish and maintain a special account within the Redemption Fund designated the “Prepayment Account”. The Fiscal Agent shall deposit in the Prepayment Account the proceeds of the prepayment of any Reassessment upon receipt thereof. Additionally, the Fiscal Agent shall deposit in the Prepayment Account amounts received from the City in connection with the City’s exercise of its rights to optionally redeem Bonds pursuant to Section 4.01(a).

Amounts in the Prepayment Account shall be disbursed therefrom for the payment of the Redemption Price of Bonds redeemed pursuant to Section 4.01(a) or Section 4.01(b).

Section 5.04 Continuing Costs Account.

The Fiscal Agent shall establish and maintain a special account within the Redemption Fund designated the “Continuing Costs Account”. The Fiscal Agent shall deposit in the Continuing Costs Account amounts collected for Continuing Costs of the Bonds.

The moneys in the Continuing Costs Account shall be used and withdrawn by the Fiscal Agent from time to time to pay the Continuing Costs of the Bonds upon submission of a Written Request of the City stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment constitutes a Continuing Cost of the Bonds and is a proper charge against the Continuing Costs Account, and (e) that such amounts have not been the subject of a prior disbursement from the Continuing Costs Account; in each case together with a statement or invoice for each amount requested thereunder.

Section 5.05 Application of Reserve Fund.

On the Closing Date, the Fiscal Agent shall deposit the reserve requirement in the Reserve Fund. Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, premium, if any, and interest on the Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming Bonds from the Redemption Fund. Transfers shall be made from the Reserve Fund to the Redemption Fund in the event of a deficiency in the Revenue Fund, in accordance with Section 5.02.

The Reserve Fund shall be replenished pursuant to Section 5.02. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee shall, upon receipt of a Written Request of the Authority, transfer the amount in the Reserve Fund to the Revenue Fund or Redemption Fund, as applicable, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds.

Section 5.06 Reserve Fund.

(a) The Fiscal Agent shall establish, maintain and hold in trust a special fund designated the “Reserve Fund”. The Fiscal Agent shall deposit in the Reserve Fund the amount specified in Section 3.02(a). Additional deposits shall be made as provided in the Act.

The City shall cause the Reserve Fund to be administered in accordance with Part 16 of the Act; provided that proceeds from redemption or sale of properties, with respect to which payment of delinquent Reassessments and interest thereon was made from the Reserve Fund, shall be credited to the Reserve Fund.

(b) Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest on the Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming Bonds from the Redemption Fund.

(c) Transfers shall be made from the Reserve Fund to the Redemption Fund in the event of a deficiency in the Redemption Fund, in accordance with Section 5.02(b).

(d) Whenever, after the issuance of the Bonds, a Reassessment is prepaid, in whole or in part, as provided in the Act, the Fiscal Agent, pursuant to a Written Request of the City, shall transfer from the Reserve Fund (but only to the extent of moneys on deposit therein and from no other source whatsoever) to the Prepayment Account an amount, specified in such Written Request, equal to the product of the ratio of the original amount of the Reassessment, or portion thereof, so prepaid to the original amount of all unpaid Reassessments, times the initial Reserve Requirement; provided that in no event will moneys be transferred in an amount that causes the Reserve Fund to drop below the Reserve Requirement.

(e) So long as no Event of Default shall have occurred and be continuing, any amount in the Reserve Fund in excess of the Reserve Requirement on March 3 and September 3 of each year shall be withdrawn from the Reserve Fund by the Fiscal Agent and shall be deposited in the Redemption Fund.

(f) On each September 3, the Fiscal Agent shall transfer from assessment payments and amounts collected from foreclosures to the Reserve Fund an amount which, together with amounts then on deposit therein, is sufficient to cause the aggregate amount in the Reserve Fund to equal the Reserve Requirement.

Section 5.07 Investment of Moneys.

Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Agreement shall be invested by the Fiscal Agent solely in Permitted Investments, as directed in writing by the City two Business Days prior to the making of such investment. All Permitted Investments shall be acquired subject to any restrictive instructions given to the Fiscal Agent pursuant to Section 6.10 and such additional limitations or requirements consistent with the foregoing as may be established by the Written Request of the City. Moneys in all funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Agreement; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of the Bonds, and provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of the Bonds. Absent timely written direction from the City, the Fiscal Agent shall invest any funds held by it in Permitted Investments described in clause (6) of the definition thereof, provided however, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such

investment is to be made, the Fiscal Agent shall have received a Written Request of the City specifying a specific money market fund and, if no such Written Request of the City is so received, the Fiscal Agent shall hold such moneys uninvested.

Subject to the provisions of Section 6.10, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Agreement shall, be deposited in the Redemption Fund; provided, however, that all interest or gain from the investment of amounts in the Reserve Fund shall be retained therein and, provided further, that before any such deposit shall be made, such interest, profits and other income shall be available for the payment of any rebate that may be owed under the Code, as specified in a Written Request of the City delivered to the Fiscal Agent.

Permitted Investments acquired as an investment of moneys in any fund established under this Agreement shall be credited to such fund. Except as otherwise provided in the following sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement shall be acquired, disposed of, and valued at fair market value.

The Fiscal Agent may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the City, the Fiscal Agent shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investments is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section. For purposes of investment, the Fiscal Agent may commingle moneys in any of the funds and accounts established hereunder. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

ARTICLE VI. COLLECTION AND APPLICATION OF REASSESSMENTS; PARTICULAR COVENANTS

Section 6.01 Collection and Application of Reassessments.

(a) The City shall comply with all requirements of the Act, the Resolution of Issuance and this Agreement to assure the timely collection of the Reassessments, and interest thereon, including, without limitation, the enforcement of delinquent Reassessments. Any funds received by the City in and for the Reassessment District, including, but not limited to, collections of Reassessments (including prepayments thereof), and interest thereon, upon the secured tax rolls, collections of delinquent Reassessments and interest and penalties thereon, through foreclosure proceedings or otherwise, and collections of amounts for the Continuing Costs of the Bonds, shall as soon as practicable be transmitted directly to the Fiscal Agent, without deduction, to be deposited into the funds and accounts herein specified.

(b) The Reassessments and interest thereon, shall be payable and be collected in the same manner at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

The City shall, before the final date on which the Auditor will accept the transmission of the Reassessments for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the installments of such Reassessments, together with interest thereon, and the Continuing Costs of the Bonds on the next secured tax roll of the County. The City is hereby authorized to employ consultants to assist in computing the installments of the Reassessments hereunder and in reconciling Reassessments billed to amounts received.

All sums received from the collection of the Reassessments and of the interest and penalties thereon shall be placed in the Redemption Fund. All amounts collected for the Continuing Costs of the Bonds shall be placed in the Continuing Costs Account. Any prepayments of Reassessments shall be placed in the Prepayment Account; provided, however, that amounts attributable to the administrative costs of the prepayment of Reassessments shall be placed in the Continuing Costs Account.

Upon receipt of any Reassessments, or interest or penalties thereon, or prepayments of Reassessments or amounts collected for the Continuing Costs of the Bonds, the City shall, as soon as practicable, transfer the same to the Fiscal Agent, together with a Written Certificate of the City that identifies which portion, if any, of the amounts so transferred that constitute Reassessments, or interest or penalties thereon, or prepayments of Reassessments or amounts collected for the Continuing Costs of the Bonds.

(c) Any Reassessment may be prepaid at any time by paying, in whole or part, the unpaid amount thereof less, if available, the amount transferred to the Redemption Fund from the Reserve Fund pursuant to Section 5.05(d), if any, together with the redemption premium, if any, set forth in Section 4.02 and interest on such prepaid Reassessment (if not collected in a Reassessment installment) to the earliest redemption date for which notice of redemption may be given in accordance herewith.

Section 6.02 Foreclosure.

The City hereby covenants that it will within 150 days of a delinquency in the payment of Reassessments, or interest thereon, or amounts to pay the Continuing Costs of the Bonds, forthwith undertake and diligently prosecute foreclosure proceedings in the manner prescribed in Section 8830 et seq. of the Act to collect such delinquent amounts; provided, however, that if the amount collected from any source is greater than 92.5% of the installment of the Reassessment and interest thereon, and amounts to pay the Continuing Costs of the Bonds, to be collected, the City shall not be required to undertake such foreclosure proceedings, unless it is determined that any single property owner is delinquent in excess of \$7,000 in the payment of such amounts in which case it shall diligently institute, prosecute and pursue such foreclosure proceedings against such property owner as set forth herein. Notwithstanding the foregoing, the City shall not be obligated to undertake any such proceedings if the City is in receipt of such amounts via the

County Teeter Plan or similar arrangement. Upon the redemption or sale of the real property responsible for such delinquencies, the City shall deposit in the Reserve Fund, from the net proceeds of such redemption or sale, the amount of any delinquency advanced therefrom pursuant to Section 5.05; provided, however, that if and to the extent that any such deposit would cause the amount on deposit in the Reserve Fund to exceed the Reserve Requirement, such excess shall be deposited in the Redemption Fund. The balance, if any, of such redemption or sale shall be disbursed as set forth in the judgment of foreclosure or as required by law.

Section 6.03 No Advances from Available Funds.

The City shall not be obligated to advance available funds of the City to cure any deficiency which may occur in the Redemption Fund; provided, however, that said determination shall not prevent the City, in its sole discretion, from so advancing funds.

Section 6.04 Punctual Payment.

The City shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Agreement, according to the true intent and meaning thereof, but only out of Reassessments and other assets pledged for such payment as provided in this Agreement and received by the City or the Fiscal Agent.

Section 6.05 Extension of Payment of Bonds.

The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 6.06 Against Encumbrances.

The City shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Reassessments and other assets pledged or assigned under this Agreement while any of the Bonds are Outstanding. The City shall not issue any additional bonds, notes or other evidences of indebtedness payable from the Reassessments.

Section 6.07 Power to Issue Bonds and Make Pledge and Assignment.

The City is duly authorized pursuant to the Act to issue the Bonds and to enter into this Agreement and to pledge the Reassessments and other assets purported to be pledged under this Agreement in the manner and to the extent provided in this Agreement. The Bonds and the provisions of this Agreement are and will be the legal, valid and binding obligations of the City in accordance with their terms, and the City and the Fiscal Agent (subject to the provisions of

Articles VII and VIII) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of Reassessments and other assets and all the rights of the Bond Owners under this Agreement against all claims and demands of all Persons whomsoever.

Section 6.08 Accounting Records and Financial Statements.

The Fiscal Agent shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds, the Reassessments and all funds and accounts established pursuant to this Agreement. Such books of record and account shall be available for inspection by the City, during regular business hours and upon 24 hours' notice and under reasonable circumstances as agreed to by the Fiscal Agent. The Fiscal Agent shall deliver to the City a monthly accounting of the funds and accounts it holds under this Agreement; provided, however, that the Fiscal Agent shall not be obligated to deliver such accounting for any fund or account that has a balance of zero.

Section 6.09 Waiver of Laws.

The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Agreement or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City to the extent permitted by law.

Section 6.10 Tax Covenants.

(a) The City shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. This covenant shall survive payment in full or defeasance of the Bonds.

(b) In the event that at any time the City is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Fiscal Agent in any of the funds or accounts established hereunder, the City shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall act in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the City shall provide to the Fiscal Agent an opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Fiscal Agent may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

Section 6.11 Further Assurances.

The City will make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate

the performance of this Agreement and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Agreement.

**ARTICLE VII.
EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS**

Section 7.01 Events of Default.

The following events shall be Events of Default:

(a) Failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part in this Agreement or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the City by the Fiscal Agent or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the City within such 30 day period and the City shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The City shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Section 7.02 Foreclosure.

If any Event of Default shall occur under Section 7.01 (a) or (b) then, and in each and every such case during the continuance of such Event of Default, the Fiscal Agent may or at the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall, if the City has not otherwise done so commence foreclosure against any parcels of real property in the Reassessment District with delinquent Reassessments, or delinquent payments of interest thereon, or delinquent payments of amounts for the Continuing Costs of the Bonds, as provided in Section 8830 et. seq. of the Act.

Section 7.03 Other Remedies of Bond Owners.

In addition to the rights under Section 7.02, the Fiscal Agent shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the City and its officers, agents or employees to perform each and every term, provision and covenant contained in this Agreement and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it by the Act;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' or the Fiscal Agent's rights; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the City and its officers and employees to account as if it and they were the trustees of an express trust.

Section 7.04 Application of Reassessments and Other Funds After Default.

If an Event of Default shall occur and be continuing, all Reassessments, including any penalties, costs, fees and other charges accruing under the Act, and any other funds then held or thereafter received by the Fiscal Agent under any of the provisions of this Agreement shall be applied by the Fiscal Agent as follows and in the following order:

(a) To the payment of reasonable fees, charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Agreement;

(b) To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Agreement, as follows:

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

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

(c) Any remaining funds shall be transferred by the Fiscal Agent to the Redemption Fund.

Section 7.05 Fiscal Agent to Represent Bond Owners.

The Fiscal Agent is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Fiscal Agent) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, this Agreement, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of

Default or other occasion giving rise to a right in the Fiscal Agent to represent the Bond Owners, the Fiscal Agent in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Fiscal Agent and such Owners under the Bonds, this Agreement, the Act or any other law. All rights of action under this Agreement or the Bonds or otherwise may be prosecuted and enforced by the Fiscal Agent without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Fiscal Agent shall be brought in the name of the Fiscal Agent for the benefit and protection of the Owners of such Bonds, subject to the provisions of this Agreement.

Section 7.06 Bond Owners' Direction of Proceedings.

Anything in this Agreement to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Fiscal Agent, and upon indemnification of the Fiscal Agent to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Fiscal Agent hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Agreement, and that the Fiscal Agent shall have the right to decline to follow any such direction which in the opinion of the Fiscal Agent would be unjustly prejudicial to Bond Owners not parties to such direction.

Section 7.07 Limitation on Bond Owners' Right to Sue.

No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Agreement, the Act or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Fiscal Agent written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, shall have made written request upon the Fiscal Agent to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Fiscal Agent indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Fiscal Agent shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Fiscal Agent.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Agreement or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Agreement, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity

to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Agreement.

Section 7.08 Absolute Obligation of City.

Nothing in Section 7.07 or in any other provision of this Agreement or in the Bonds contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Reassessments and other assets herein pledged therefor and received by the City or the Fiscal Agent, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.09 Termination of Proceedings.

In case any proceedings taken by the Fiscal Agent or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Fiscal Agent or the Bond Owners, then in every such case the City, the Fiscal Agent and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, the Fiscal Agent and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.10 Remedies Not Exclusive.

No remedy herein conferred upon or reserved to the Fiscal Agent or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.11 No Waiver of Default.

No delay or omission of the Fiscal Agent or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Agreement to the Fiscal Agent or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

**ARTICLE VIII.
FISCAL AGENT**

Section 8.01 Duties and Liabilities of Fiscal Agent.

(a) Duties of Fiscal Agent Generally. The Fiscal Agent shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Agreement. The Fiscal Agent shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by this Agreement, and use the same degree of

care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Removal of Fiscal Agent. The City may upon 30 days' prior written notice remove the Fiscal Agent at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Fiscal Agent if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Fiscal Agent shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Fiscal Agent or its property shall be appointed, or any public officer shall take control or charge of the Fiscal Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Fiscal Agent and thereupon shall appoint a successor Fiscal Agent by an instrument in writing.

(c) Resignation of Fiscal Agent. The Fiscal Agent may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the City, and to the Bond Owners notice of such resignation at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. The Fiscal Agent shall not be relieved of its duties until such successor Fiscal Agent has accepted appointment.

(d) Appointment of Successor Fiscal Agent. Any removal or resignation of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent; provided, however, that under any circumstances the successor Fiscal Agent shall be qualified as provided in subsection (e) of this Section. If no qualified successor Fiscal Agent shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Fiscal Agent or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent. Any successor Fiscal Agent appointed under this Agreement shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Fiscal Agent a written acceptance thereof, and to the predecessor Fiscal Agent an instrument indemnifying the predecessor Fiscal Agent for any costs or claims arising during the time the successor Fiscal Agent serves as Fiscal Agent hereunder, and after payment by the City of all unpaid fees and expenses of the predecessor Fiscal Agent, such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Fiscal Agent, with like effect as if originally named Fiscal Agent herein; but, nevertheless at the Written Request of the City or the request of the successor Fiscal Agent, such predecessor Fiscal Agent shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all the right, title and interest of such predecessor Fiscal Agent in and to any property held by it under this Agreement and shall pay over, transfer, assign and deliver to the successor Fiscal Agent any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Fiscal Agent, the City shall execute and deliver

any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Fiscal Agent as provided in this subsection, the City shall mail or cause the successor Fiscal Agent to mail, by first class mail postage prepaid, a notice of the succession of such Fiscal Agent to the trusts hereunder to each rating agency which then maintains a rating on the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Fiscal Agent, the successor Fiscal Agent shall cause such notice to be mailed at the expense of the City.

(e) Any Fiscal Agent appointed under the provisions of this Section 8.01 in succession to the Fiscal Agent shall be a national banking association, trust company or bank having the powers of a trust company, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its parent bank holding company has) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state agency. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 8.02 Merger or Consolidation.

Any bank, national banking association or trust company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under subsection (e) of Section 8.01 shall be the successor to such Fiscal Agent, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03 Liability of Fiscal Agent.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Fiscal Agent shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Agreement or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Fiscal Agent makes no representations as to the validity or sufficiency of this Agreement or of any Bonds, or in respect of the security afforded by this Agreement and the Fiscal Agent shall incur no responsibility in respect thereof. The Fiscal Agent shall be under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Fiscal Agent; (iii) the application of any moneys paid to the City or others in accordance with this Agreement except as the application of

any moneys paid to it in its capacity as Fiscal Agent; or (iv) interest on any moneys received by it that, as a result of the absence of instructions from the City, or as a result of inadequate or incomplete instructions from the City, regarding the disposition of such moneys, have not been deposited by the Fiscal Agent in a fund or account established hereunder. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement. The Fiscal Agent may become the Owner of Bonds with the same rights it would have if it were not Fiscal Agent, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

(b) The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(c) The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any trust or power conferred upon the Fiscal Agent under this Agreement.

(d) No personal recourse may be taken, directly or indirectly, against any officer, director, agent or employee of the Fiscal Agent with respect to the obligations of the Fiscal Agent under this Agreement or any certificate or other writing delivered in connection therewith.

(e) In the event the Fiscal Agent receives inconsistent or conflicting requests and indemnity from two or more groups of Bond Owners, each representing less than a majority of the aggregate principal amount of Bonds then outstanding, the Fiscal Agent, in its sole discretion, may determine what action, if any, shall be taken. The Fiscal Agent shall not be liable with respect to any such action taken or omitted to be taken by it in good faith.

(f) Except for information provided by the Fiscal Agent concerning the Fiscal Agent, the Fiscal Agent shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Fiscal Agent shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(g) The Fiscal Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Fiscal Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Commission elects to give the Fiscal Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Fiscal Agent in its discretion elects to act upon such

instructions, the Fiscal Agent's understanding of such instructions shall be deemed controlling. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Fiscal Agent agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(h) The Fiscal Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Fiscal Agent and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(i) The Fiscal Agent may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Fiscal Agent shall not be answerable for the acts or omissions of any such attorney, agent, or receiver selected by it with reasonable care.

(j) The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

(k) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request, order or direction of any of the Owners pursuant to the provisions of this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

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

(m) The Fiscal Agent shall not be deemed to have knowledge of any event of default unless and until it shall have actual knowledge thereof by receipt of written notice thereof at its corporate trust office.

Section 8.04 Right to Rely on Documents.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith;

provided, however, the Fiscal Agent shall in no event delay any payment with respect to the Bonds in anticipation of any such opinion.

Whenever in the administration of the trusts imposed upon it by this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the City, and such Written Certificate shall be full warrant to the Fiscal Agent for any action taken or suffered in good faith under the provisions of this Agreement in reliance upon such Written Certificate, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05 Preservation and Inspection of Documents.

All documents received by the Fiscal Agent under the provisions of this Agreement shall be retained in its possession and shall be subject during business hours and upon 24 hours' notice to the inspection of the City, the Owners and their agents and representatives duly authorized in writing.

Section 8.06 Compensation and Indemnification.

The City shall pay to the Fiscal Agent from time to time all reasonable compensation for all services rendered under this Agreement, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement. The City further agrees, to the extent permitted by law, to indemnify and save the Fiscal Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and under any related documents, including legal fees and expenses and including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. Without limiting the generality of the foregoing, in performing its duties under any other related agreements, the Fiscal Agent shall be entitled to all of the rights, protection and immunities accorded to it as Fiscal Agent under this Agreement. The Fiscal Agent's immunities and protection from liability and its right to payment of compensation and indemnification in connection with performance of its duties and functions under this Agreement shall survive the Fiscal Agent's resignation or removal and the final payment of the Bonds. In no event shall the Fiscal Agent be liable for incidental, indirect, special or consequential damages. The Fiscal Agent shall not be required to give any bond or surety with respect to the execution of its trusts, powers, rights or duties under this Agreement. The Fiscal Agent's immunities and protection from liability and its right to indemnification in connection with the performance of its duties and functions under this Agreement shall extend to the Fiscal Agent's officers, directors, employees and agents.

Section 8.07 Provisions Affecting The Fiscal Agent.

Whether or not expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Article 8.

**ARTICLE IX.
MODIFICATION OR AMENDMENT**

Section 9.01 Amendments Permitted.

(a) This Agreement and the rights and obligations of the City, the Owners of the Bonds and the Fiscal Agent may be modified or amended from time to time and at any time by a Supplemental Agreement, which the City and the Fiscal Agent may enter into with the consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Fiscal Agent. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or reduce the interest rate borne thereby, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment without the consent of the Owners of all of the Bonds then Outstanding, or (iii) permit the creation of any lien on the Reassessments and other assets pledged under this Agreement prior to or on a parity with the lien created by this Agreement or deprive the Owners of the Bonds of the lien created by this Agreement on such Reassessments and other assets (except as expressly provided in this Agreement), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Agreement, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the City and the Fiscal Agent of any Supplemental Agreement pursuant to this subsection (a), the Fiscal Agent shall mail a notice (the form of which shall be furnished to the Fiscal Agent by the City), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Agreement, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Agreement.

(b) This Agreement and the rights and obligations of the City, the Fiscal Agent and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Agreement, which the City and the Fiscal Agent may enter into without the consent of any Bond Owners for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City in this Agreement contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in this Agreement;
- (iii) to modify, amend or supplement this Agreement in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such

other terms, conditions and provisions as may be permitted by said act or similar federal statute;

- (iv) to modify, amend or supplement this Agreement in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and
- (v) in any other respect whatsoever as the City may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners hereunder, in the opinion of Bond Counsel filed with the City and the Fiscal Agent.

(c) The Fiscal Agent may in its discretion, but shall not be obligated to, enter into any such Supplemental Agreement authorized by subsections (a) or (b) of this Section which adversely affects the Fiscal Agent's own rights, duties or immunities under this Agreement or otherwise.

Section 9.02 Effect of Supplemental Agreement.

Upon the execution of any Supplemental Agreement pursuant to this Article, this Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Agreement of the City, the Fiscal Agent and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 9.03 Endorsement of Bonds; Preparation of New Bonds.

Bonds delivered after the execution of any Supplemental Agreement pursuant to this Article may, and if the City so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Fiscal Agent as to any modification or amendment provided for in such Supplemental Agreement, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Fiscal Agent a suitable notation shall be made on such Bonds. If the Supplemental Agreement shall so provide, new Bonds so modified as to conform, in the opinion of the City and the Fiscal Agent, to any modification or amendment contained in such Supplemental Agreement, shall be prepared and executed by the City and authenticated by the Fiscal Agent, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Fiscal Agent, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Section 9.04 Amendment of Particular Bonds.

The provisions of this Article shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

**ARTICLE X.
DEFEASANCE**

Section 10.01 Discharge of Agreement.

(a) If the City shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of any Outstanding Bonds the principal thereof and the premium, if any, and interest thereon at the times and in the manner stipulated herein and therein, and (ii) all other amounts due hereunder, then such Owners shall cease to be entitled to the pledge of and lien on the Reassessments as provided herein, and all agreements and covenants of the City and the Fiscal Agent to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Bond shall be deemed to have been paid within the meaning and with the effect expressed in this Section 10.01 when the whole amount of the principal thereof and the premium, if any, and interest thereon shall have been paid or when (i) in case said Bond or portion thereof has been selected for redemption in accordance with Section 4.03 hereof prior to its stated maturity date, the City shall have given to the Fiscal Agent irrevocable instructions to give, in accordance with the provisions of Section 4.02 hereof, notice of redemption of such Bond, or portion thereof, (ii) there shall be on deposit with the Fiscal Agent, moneys, or (A) Permitted Investments described in clause (1) of the definition thereof, (B) evidences of ownership of proportionate interests in future interest and principal payments on Permitted Investments described in clause (1) of the definition thereof held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, or (C) Permitted Investments described in clause (7) of the definition thereof, or any combinations thereof (“Defeasance Securities”), which Defeasance Securities shall not contain provisions permitting the redemption thereof other than at the option of the holder, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal of and premium, if any, and interest on such Bond and due and to become due on said Bond or portion thereof on or prior to the redemption date or its stated maturity date, as the case may be, and (iii) in the event said Bond does not mature and is not to be redeemed within the next succeeding 60 days, the City shall have given the Fiscal Agent irrevocable instructions to give notice, as soon as practicable in the same manner as a notice of redemption given pursuant to Section 4.02 hereof, to the Owner of said Bond, or portion thereof, stating that the deposit of moneys or Defeasance Securities required by clause (ii) of this paragraph has been made with the Fiscal Agent and that said Bond, or portion thereof, is deemed to have been paid in accordance with this Section and stating such maturity date or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on such Bond, or portion thereof. Neither the moneys nor the Defeasance Securities deposited with the Fiscal Agent pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on such Bond, or portions thereof. If payment of less than all of the Bonds is to be provided for in the manner and with the effect expressed in this Section, the Fiscal Agent shall select such Bonds, or portions thereof, in

the manner specified in Section 4.03 hereof for selection for redemption of less than all of the Bonds in the principal amounts designated to the Fiscal Agent by the City.

(c) The Fiscal Agent may seek and is entitled to rely upon (i) an opinion of Bond Counsel reasonably satisfactory to the Fiscal Agent to the effect that the conditions precedent to a defeasance pursuant to this Section 10.01 have been satisfied, and (ii) such other opinions, certifications and computations, as the Fiscal Agent may reasonably request, of accountants or other financial consultants concerning the matters described in paragraph (b) of this Section 10.01.

(d) After the payment of all the principal of and premium, if any, and interest on all Outstanding Bonds and all other amounts due hereunder as provided in this Section, the Fiscal Agent shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of this Agreement, and the Fiscal Agent shall pay over or deliver to the City all moneys or securities held by it pursuant hereto which are not required for the payment of the principal of and premium, if any, and interest on such Bonds and all other amounts due hereunder.

(e) Prior to any defeasance becoming effective under this Article X, the City shall cause to be delivered (i) an executed copy of a report, addressed to the Fiscal Agent and the City, in form and in substance acceptable to the Fiscal Agent and the City, of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, satisfy the requirements of clause (ii) of Section 10.01(b), above (a "Verification"), (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance, which escrow deposit agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) a copy of an opinion of Bond Counsel, dated the date of such defeasance and addressed to the Fiscal Agent and the City, in form and in substance acceptable to the Fiscal Agent and the City, to the effect that such Bonds have been paid within the meaning and with the effect expressed in this Agreement, and that all agreements and covenants of the City and the Fiscal Agent to the Owners of such Bonds under this Agreement have ceased, terminated and become void and have been discharged and satisfied.

Section 10.02 Payment of Bonds After Discharge of Agreement.

Notwithstanding any provisions of this Agreement, and subject to the escheat laws of the State, any moneys held by the Fiscal Agent in trust for the payment of the principal of, premium, if any, or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys shall be repaid to the City free from the trusts created by this Agreement, and all liability of the Fiscal Agent with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Fiscal Agent may (at the cost of the City) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Fiscal Agent with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

**ARTICLE XI.
MISCELLANEOUS**

Section 11.01 Limited Obligation.

All obligations of the City under this Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Reassessments and the other assets pledged therefor hereunder. Neither the faith and credit nor the taxing power of the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds. The Bonds are "Limited Obligation Improvement Bonds" and are payable solely from and secured solely by the Reassessments and the other assets pledged hereunder. Notwithstanding any other provision of this Agreement, the City is not obligated to advance available funds from the City treasury to cure any deficiency in the Redemption Fund.

Section 11.02 Successor Is Deemed Included in All References to Predecessor.

Whenever in this Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03 Limitation of Rights to Parties and Bond Owners.

Nothing in this Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Fiscal Agent, the City, and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Fiscal Agent, the City, and the Owners of the Bonds.

Section 11.04 Waiver of Notice; Requirement of Mailed Notice.

Whenever in this Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Agreement any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05 Destruction of Bonds.

Whenever in this Agreement provision is made for the cancellation by the Fiscal Agent and the delivery to the City of any Bonds, the Fiscal Agent may, upon the Written Request of the City, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the City, if the City shall so require) as may be allowed by law, and deliver a certificate of such destruction to the City.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Fiscal Agent or the City in accordance therewith or reliance thereon.

Section 11.09 Disqualified Bonds.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Agreement, Bonds which are known by the Fiscal Agent to be owned or held by or for the account of the City, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Fiscal Agent the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Fiscal Agent taken upon the advice of counsel shall be full protection to the Fiscal Agent. Upon request of the Fiscal Agent, the City shall specify in a certificate to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

Section 11.10 Money Held for Particular Bonds.

The money held by the Fiscal Agent for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04 but without any liability for interest thereon.

Section 11.11 Funds and Accounts.

Any fund or account required by this Agreement to be established and maintained by the Fiscal Agent may be established and maintained in the accounting records of the Fiscal Agent, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.08 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Fiscal Agent may establish such funds and accounts as it deems necessary or appropriate to perform its obligations hereunder.

Section 11.12 Payment on Non-Business Days.

In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Section 11.13 Waiver of Personal Liability.

No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

Section 11.14 Conflict with Act.

In the event of any conflict between any provision of this Agreement and any provision of the Act, the provision of the Act shall prevail over the provision of this Agreement.

Section 11.15 Conclusive Evidence of Regularity.

Bonds issued pursuant to this Agreement shall constitute evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Reassessments.

Section 11.16 Execution in Several Counterparts.

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Fiscal Agent shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.17 Governing Laws.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the City has caused this Agreement to be signed in its name by its officer thereunto duly authorized, and the Fiscal Agent, in token of its acceptance of the trusts created hereunder, has caused this Agreement to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

CITY OF IRVINE

By: _____
Sean Joyce, City Manager

ATTEST:

By: _____
City Clerk

THE BANK OF NEW YORK MELLON
NATIONAL ASSOCIATION, N.A.,
as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

No. _____ \$ _____

CITY OF IRVINE
LIMITED OBLIGATION IMPROVEMENT BOND
REASSESSMENT DISTRICT NO. 11-2

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
%	September 2, _____	_____	46360R _____

REGISTERED OWNER: IRVINE PUBLIC FACILITIES AND INFRASTRUCTURE
AUTHORITY

PRINCIPAL AMOUNT: _____ THOUSAND DOLLARS

Under and by virtue of the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 of the Streets and Highways Code of California (the "Act"), the City of Irvine, County of Orange, State of California (the "City"), will, out of the redemption fund for the payment of the bonds issued upon the unpaid portion of reassessments made for the refunding bonds more fully described in proceedings taken pursuant to Resolution No. _____ adopted by the City Council of the City on November 22, 2011, pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above or on any earlier redemption date, the Principal Amount identified above in lawful money of the United States of America; and to pay interest at the Rate of Interest identified above in like lawful money from the date hereof payable semiannually on March 2 and September 2 in each year, commencing March 2, 2012 (the "Interest Payment Dates") until payment of such Principal Amount in full. This Bond shall bear interest from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to _____, 2012, in which event it shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment). The Principal Amount hereof is payable upon surrender hereof upon maturity or earlier redemption at the principal corporate trust office (the "Trust Office") of The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), in Los Angeles, California or such other place as designated by the Fiscal Agent. Interest hereon is payable by check of the Fiscal Agent mailed by first class mail or wire transfer on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the Registration Books of the Fiscal Agent as of the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date.

This Bond shall not be entitled to any benefit under the Act, the Resolution authorizing the issuance of the bonds, adopted by the City Council of the City on November 22, 2011 (the "Resolution of Issuance") or the Fiscal Agent Agreement, dated as of December 1, 2011 (the

“Agreement”), by and between the City and the Fiscal Agent, executed pursuant to the Resolution of Issuance, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been dated and signed by the Fiscal Agent. Capitalized undefined terms used in this Bond shall have the meanings ascribed thereto in this Agreement.

This Bond is one of several series of Limited Obligation Improvement Bonds, Reassessment District No. 11-2 (the “Bonds”) of like date, tenor and effect, but differing in amounts, maturities and interest rates, issued by said City under the Act and this Agreement for the purpose of providing means for paying for the refunding of the Prior Bonds as more particularly described in said proceedings, and is secured by the moneys in the redemption fund (as may be limited by this Agreement) and by the unpaid portion of said reassessments made for the payment of said refunding, and, including principal and interest, is payable exclusively out of said fund.

Reference is hereby made to this Agreement and all agreements supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Reassessments (as that term is defined in this Agreement), of the rights, duties and immunities of the Fiscal Agent and of the rights and obligations of the City thereunder; and all of the terms of this Agreement are hereby incorporated herein and constitute a contract between the City and the Registered Owner hereof, and to all of the provisions of which Agreement the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds shall be subject to optional redemption, in whole or in part, on any Interest Payment Date on or after _____, 2012, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 2, 20__ through March 2, 20__	103%
September 2, 20__ and March 2, 20__	102
September 2, 20__ and March 2, 20__	101
September 2, 20__ and thereafter	100

The Bonds shall be subject to mandatory redemption, in whole or in part, by lot, on any Interest Payment Date, from and to the extent of any prepayments of principal of the Reassessments as more particularly set forth in this Agreement, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption.

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 2, 20__ through March 2, 20__	103%
September 2, 20__ and March 2, 20__	102
September 2, 20__ and March 2, 20__	101
September 2, 20__ and thereafter	100

The Fiscal Agent on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to the respective owners of any Bonds designated for redemption, at

their respective addresses appearing on the Registration Books maintained by the Fiscal Agent, at least 30 but not more than 60 days prior to the redemption date; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. The redemption price of the Bonds to be redeemed shall be paid only upon presentation and surrender thereof at the Trust Office of the Fiscal Agent. From and after the date fixed for redemption of any Bonds, interest on such Bonds will cease to accrue.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in this Agreement, fully registered Bonds may be exchanged at the Trust Office of the Fiscal Agent for a like aggregate principal amount and maturity of fully registered Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in this Agreement, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The City and the Fiscal Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary.

This Agreement and the rights and obligations of the City and of the owners of the Bonds and of the Fiscal Agent may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in this Agreement; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or the amount of principal thereof without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) permit the creation of any lien on the Reassessments and other assets pledged under this Agreement, or deprive the Bonds owners of the lien created under this Agreement on the Reassessments and such other assets, without the consent of the owners of all outstanding Bonds.

The Bonds are Limited Obligation Bonds because, under this Agreement, the City is not obligated to advance funds from the City treasury to cure any deficiency which may occur in the redemption fund for the Bonds; provided, however, the City is not prevented, in its sole discretion, from so advancing funds.

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

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been manually signed by the Fiscal Agent.

IN WITNESS WHEREOF, said City has caused this Bond to be signed in its name and on its behalf by the manual signatures of its Treasurer and City Clerk, and has caused its corporate seal to be impressed hereon all as of the Dated Date identified above.

CITY OF IRVINE

By: _____
Treasurer

(S E A L)

Attest:

By: _____
City Clerk

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Agreement and registered on the Registration Books.

Date: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Fiscal Agent

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Fiscal Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.

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

EXHIBIT B

Prior Bonds/Prior Districts/Prior Fiscal Agent

Prior District

Prior Bonds

Prior Fiscal Agent

TABLE OF CONTENTS

		<u>Page</u>
ARTICLE I.	STATUTORY AUTHORITY AND DEFINITIONS	2
Section 1.01	Authority for this Agreement.....	2
Section 1.02	Definitions.....	2
Section 1.03	Interpretation.....	9
Section 1.04	Agreement Constitutes Contract.....	9
ARTICLE II.	THE BONDS	9
Section 2.01	Authorization of Bonds.....	9
Section 2.02	Terms of Bonds.....	9
Section 2.03	Transfer and Exchange of Bonds.....	11
Section 2.04	Registration Books.....	11
Section 2.05	Execution of Bonds.....	11
Section 2.06	Authentication of Bonds	12
Section 2.07	Temporary Bonds.....	12
Section 2.08	Bonds Mutilated, Lost, Destroyed or Stolen.....	12
Section 2.09	Limited Obligation.....	13
Section 2.10	No Acceleration	13
Section 2.11	Refunding of Bonds	13
ARTICLE III.	ISSUANCE OF BONDS	13
Section 3.01	Issuance of Bonds	13
Section 3.02	Application of Proceeds of the Bonds	13
Section 3.03	Costs of Issuance Fund	14
ARTICLE IV.	REDEMPTION OF BONDS	14
Section 4.01	Redemption.....	14
Section 4.02	Notice of Redemption.....	15
Section 4.03	Selection of Bonds for Redemption.....	15
Section 4.04	Partial Redemption of Bonds.....	15
Section 4.05	Effect of Notice of Redemption.....	15
ARTICLE V.	SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS.....	16
Section 5.01	Pledge.....	16
Section 5.02	Redemption Fund.....	16
Section 5.03	Prepayment Account.....	16
Section 5.04	Continuing Costs Account	17
Section 5.05	Application of Reserve Fund	17
Section 5.06	Reserve Fund	17
Section 5.07	Investment of Moneys.....	18
ARTICLE VI.	COLLECTION AND APPLICATION OF REASSESSMENTS; PARTICULAR COVENANTS	19
Section 6.01	Collection and Application of Reassessments	19

	<u>Page</u>
Section 6.02	Foreclosure..... 20
Section 6.03	No Advances from Available Funds..... 21
Section 6.04	Punctual Payment..... 21
Section 6.05	Extension of Payment of Bonds..... 21
Section 6.06	Against Encumbrances..... 21
Section 6.07	Power to Issue Bonds and Make Pledge and Assignment 21
Section 6.08	Accounting Records and Financial Statements..... 22
Section 6.09	Waiver of Laws..... 22
Section 6.10	Tax Covenants 22
Section 6.11	Further Assurances..... 22
ARTICLE VII.	EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS..... 23
Section 7.01	Events of Default 23
Section 7.02	Foreclosure..... 23
Section 7.03	Other Remedies of Bond Owners 23
Section 7.04	Application of Reassessments and Other Funds After Default 24
Section 7.05	Fiscal Agent to Represent Bond Owners 24
Section 7.06	Bond Owners' Direction of Proceedings 25
Section 7.07	Limitation on Bond Owners' Right to Sue 25
Section 7.08	Absolute Obligation of City 26
Section 7.09	Termination of Proceedings 26
Section 7.10	Remedies Not Exclusive 26
Section 7.11	No Waiver of Default..... 26
ARTICLE VIII.	FISCAL AGENT 26
Section 8.01	Duties and Liabilities of Fiscal Agent 26
Section 8.02	Merger or Consolidation..... 28
Section 8.03	Liability of Fiscal Agent 28
Section 8.04	Right to Rely on Documents..... 30
Section 8.05	Preservation and Inspection of Documents..... 31
Section 8.06	Compensation and Indemnification 31
Section 8.07	Provisions Affecting The Fiscal Agent..... 31
ARTICLE IX.	MODIFICATION OR AMENDMENT 32
Section 9.01	Amendments Permitted..... 32
Section 9.02	Effect of Supplemental Agreement..... 33
Section 9.03	Endorsement of Bonds; Preparation of New Bonds 33
Section 9.04	Amendment of Particular Bonds..... 33
ARTICLE X.	DEFEASANCE..... 34
Section 10.01	Discharge of Agreement 34
Section 10.02	Payment of Bonds After Discharge of Agreement 35
ARTICLE XI.	MISCELLANEOUS 36
Section 11.01	Limited Obligation..... 36
Section 11.02	Successor Is Deemed Included in All References to Predecessor 36

	<u>Page</u>
Section 11.03 Limitation of Rights to Parties and Bond Owners	36
Section 11.04 Waiver of Notice; Requirement of Mailed Notice.....	36
Section 11.05 Destruction of Bonds	36
Section 11.06 Severability of Invalid Provisions.....	37
Section 11.07 Notices	37
Section 11.08 Evidence of Rights of Bond Owners	37
Section 11.09 Disqualified Bonds.....	38
Section 11.10 Money Held for Particular Bonds	38
Section 11.11 Funds and Accounts.....	38
Section 11.12 Payment on Non-Business Days.....	38
Section 11.13 Waiver of Personal Liability	39
Section 11.14 Conflict with Act.....	39
Section 11.15 Conclusive Evidence of Regularity	39
Section 11.16 Execution in Several Counterparts.....	39
Section 11.17 Governing Laws.....	39

ESCROW AGREEMENT

DATED AS OF DECEMBER 1, 2011

by and between

CITY OF IRVINE

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
AS ESCROW AGENT

\$ _____
CITY OF IRVINE
LIMITED OBLIGATION IMPROVEMENTS BONDS
REASSESSMENT DISTRICT NO. 11-2

THIS ESCROW AGREEMENT made and entered into as of December 1, 2011, by and between the City of Irvine (“City”) and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent (the “Escrow Agent”):

WITNESSETH:

WHEREAS, the City of Irvine, California (the “City”) authorized and issued its City of Irvine Assessment District No. 00-18 Improvement Bonds, Group Three (the “AD No. 00-18 Group Three Bonds”) pursuant to an Indenture of Trust dated as of _____, by and between the City and the Bank of New York Trust Company, N.A. (the “AD No. 00-18 Group Three Indenture”) for the purpose of financing certain capital facilities within Assessment District No. 00-18;

WHEREAS, the City of Irvine, California (the “City”) authorized and issued its outstanding \$_____ of the City of Irvine Assessment District No. 87-8 Improvement Bonds, Group Five (the “AD No. 87-8 Group Five Bonds”) pursuant to an Indenture of Trust dated as of _____, by and between the City and the Bank of New York Trust Company, N.A. (the “AD No. 87-8 Group Five Indenture”) for the purpose of financing certain capital facilities within Assessment District No. 87-8;

WHEREAS, the City of Irvine, California (the “City”) authorized and issued its City of Irvine Assessment District No. 93-14 Improvement Bonds, Group One (the “AD No. 93-14 Group One Bonds”) pursuant to an Indenture of Trust dated as of _____, by and between the City and the Bank of New York Trust Company, N.A. (the “AD No. 93-14 Group One Indenture”) for the purpose of financing certain capital facilities within Assessment District No. 93-14;

WHEREAS, the Irvine Public Facilities and Infrastructure Authority (the “Authority”) authorized and issued its Assessment Revenue Bonds, Series A (the “Series A Authority Bonds”) pursuant to an Indenture of Trust, dated as of January 1, 1999, by and between the Authority and Chase Bank of Texas, National Association, as Trustee (the “Series A Authority Bonds Indenture”) for the purpose of purchasing certain bonds issued for Reassessment District No. 99-1 and Reassessment District No. 99-2;

WHEREAS, all of the above-described Bonds shall hereinafter be referred to collectively as the “Prior Bonds”);

WHEREAS, for the purpose of refinancing the construction of certain public facilities, the City has heretofore issued pursuant to the Prior Bond Indenture (as hereinafter defined) and there are now outstanding, Limited Obligation Improvement Bonds for Assessment District No. 00-18 of the City; and

WHEREAS, the City has determined to refund the bonds (defined hereinbelow as the “Outstanding Bonds”), by depositing moneys which are sufficient to pay the principal and premium, if any, of the Outstanding Bonds and the interest to accrue thereon at the maturity and redemption thereof; and

WHEREAS, in order to deposit a portion of such amount of money with the Escrow Agent hereunder, the City has caused to be executed and delivered \$_____ principal amount of its Reassessment District No. 11-2, Limited Obligation Improvement Bonds (the "Bonds"); and

WHEREAS, the City will cause a portion of the proceeds derived from the sale of the Bonds to pay principal, premium, if any, and interest of the Outstanding Bonds at such times and in such amount as will be sufficient to make payment to the Escrow Agent as set forth herein; and

NOW THEREFORE, the City, in consideration of the foregoing and the mutual covenants herein set forth and in order to defease the Outstanding Bonds pursuant to the Prior Bond Indenture, does by these presents hereby grant, warrant, demise, release, convey, assign, transfer, alienate, pledge, set over and confirm, unto the Escrow Agent, and to its successors, and to it and its assigns forever, all and singular the property hereinafter described to wit:

DIVISION I

All right, title and interest of the City in and to \$_____ derived from the proceeds of the Bonds and \$_____ derived from moneys held by the Escrow Agent in its capacity as the Prior Trustee (as hereinafter defined) for the Outstanding Bonds under the Prior Bond Indenture.

DIVISION II

All right, title and interest of the City in and to the money described in Division I hereof and all income, earnings and increment derived therefrom or accruing thereto.

DIVISION III

Any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security hereunder by the City or by anyone in their behalf to the Escrow Agent, which is hereby authorized to receive the same at any time as additional security hereunder.

DIVISION IV

All property which is by the express provisions of this Agreement required to be subject to the pledge hereof and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subject to the pledge hereof, by the City or by anyone on its behalf, and the Escrow Agent is hereby authorized to receive the same at any time as additional security hereunder.

TO HAVE AND TO HOLD, all and singular, the Escrow Fund, including all additional property which by the terms hereof has or may become subject to the encumbrances of this Agreement, unto the Escrow Agent, and its successors and assigns, forever, for the benefit and security of the owners from time to time of the Outstanding Bonds; but if the Outstanding Bonds shall be fully and promptly paid when due in accordance with the terms thereof and hereof, then

this Agreement shall be and become void and of no further force and effect, otherwise the same shall remain in full force and effect, and upon the trusts and subject to the covenants and conditions hereinafter set forth.

ARTICLE 1.
DEFINITIONS

SECTION 1.01. Definitions. In addition to words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings, unless some other meaning is plainly intended;

“Agreement” shall mean this Escrow Agreement, dated as of December 1, 2011, by and between the City and the Escrow Agent;

“Bonds” shall mean the City of Irvine Limited Obligation Improvement Bonds, Reassessment District No. 11-2;

“Escrow Agent” shall mean The Bank of New York Mellon Trust Company, N.A., a national banking association and being duly qualified to accept and administer the escrow hereby created, and its successors;

“Fiscal Agent” shall mean The Bank of New York Mellon Trust Company, N.A., a national banking association, the fiscal agent for certain of the Outstanding Bonds as provided under the Fiscal Agent Agreement;

“Fiscal Agent Agreement” shall mean the Fiscal Agent Agreement, dated as of December 1, 2011, by and between the City and the Fiscal Agent, relating to the Bonds;

“Prior Bonds” shall be as defined in the Recitals;

“Prior Trustee” shall mean The Bank of New York Mellon Trust Company, N.A., as successor to the trustees for the Prior Bonds under the Prior Bond Indentures therefor;

“Prior Bond Indentures” shall mean the instruments of issuance by and between the City and the Prior Trustee, pursuant to which the City authorized the issuance of the Prior Bonds.

ARTICLE 2.
PAYMENT OF OUTSTANDING BONDS;
ESCROW FUND AS SECURITY

SECTION 2.01. Creation of Escrow Fund. There is hereby created and established with the Escrow Agent a special and irrevocable fund designated the Escrow Fund (the “Escrow Fund”) to be held in the custody of the Escrow Agent separate and apart from other funds of the City or of the Escrow Agent to pay and redeem the Prior Bonds as set forth in Schedule B.

Concurrently with the execution of this Agreement, the City caused to be deposited with the Escrow Agent and the Escrow Agent acknowledges receipt of immediately available moneys in the amount of \$_____ derived from the proceeds of the Bonds and \$_____

derived from moneys held by the Prior Trustee under the Prior Bond Indentures. The Prior Trustee is hereby authorized and directed to make such transfer of moneys held under the Prior Bond Indenture.

SECTION 2.02. Use of Bond Proceeds. The City hereby represents that from the amount derived from the proceeds of the Bonds and the moneys transferred by the Prior Trustee which are received by the Escrow Agent are sufficient to pay and redeem the Prior Bonds as set forth in Schedule B.

SECTION 2.03. Irrevocable Escrow Deposit Created. The deposit of moneys in the Escrow Fund shall constitute an irrevocable deposit of said moneys for the benefit of the owners of the Prior Bonds.

SECTION 2.04. INTENTIONALLY OMITTED

SECTION 2.05. Transfers from Escrow Fund. The Escrow Agent shall transfer from the Escrow Fund to the Prior Trustees amounts sufficient to pay and redeem the Prior Bonds as set forth in Schedule B. Such amounts shall be applied to the payment of all principal of, premium, if any, and interest on the Prior Bonds for the equal and ratable benefit of the owners of the Prior Bonds. The Prior Trustee is hereby irrevocably instructed to give all notices and take all actions necessary to cause the redemption of the remaining Prior Bonds on March 2, 2012, pursuant to the Prior Bond Indentures.

SECTION 2.06. Funds and Accounts Constitute Escrow Funds. All the funds and accounts created and established pursuant to this Agreement shall be and constitute escrow funds for the purposes provided in this Agreement and shall be kept separate and distinct from all other funds of the City and the Escrow Agent and used only for the purposes and in the manner provided in this Agreement.

SECTION 2.07. Lien of Owners of Prior Bonds. The Escrow Fund created hereby shall be irrevocable. The owners of the Prior Bonds shall have an express lien on the Escrow Fund until it is used and applied in accordance with this Agreement.

SECTION 2.08. Transfer of Funds after all Payments Required by this Agreement are Made. After all of the transfers by the Escrow Agent for payment of the principal of, premium, if any, and interest on the Prior Bonds have been made, all remaining moneys, together with any income and interest thereon, if any, in the Escrow Fund shall be transferred by the Escrow Agent for deposit in the "Redemption Fund" established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement and used for the purposes described therein; provided, however, that no such transfer shall be made until all of the principal of, premium, if any, and interest on the Prior Bonds have been paid on March 2, 2012.

ARTICLE 3. CONCERNING THE ESCROW AGENT

SECTION 3.01. Appointment of Escrow Agent. The City hereby appoints The Bank of New York Mellon Trust Company, N.A. as Escrow Agent under this Agreement.

SECTION 3.02. Acceptance by Escrow Agent. By execution of this Agreement, the Escrow Agent accepts the duties and obligations as Escrow Agent hereunder. The Escrow Agent further represents that it has all requisite power, and has taken all corporate actions necessary to execute the trust hereby created.

SECTION 3.03. Liability of Escrow Agent. The Escrow Agent shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to the terms and provisions of this Agreement. The Escrow Agent shall have no lien whatsoever upon any of the moneys or investments in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Agreement.

The City shall be responsible for determining the sufficiency of moneys to pay the Prior Bonds and the Escrow Agent shall not be liable therefor.

SECTION 3.04. Permitted Acts. The Escrow Agent and its affiliates may become the owner of or may deal in the Prior Bonds or the Bonds as fully and with the same rights as if it were not the Escrow Agent.

SECTION 3.05. Receipt of Proceeding. Receipt of true and correct copies of the proceedings authorizing the execution and delivery of the Prior Bonds and authorizing the execution and delivery of the Bonds are hereby acknowledged by the Escrow Agent.

SECTION 3.06. Compensation of Escrow Agent. The City shall from time to time, on demand, pay to the Escrow Agent reasonable compensation for its services and shall reimburse the Escrow Agent for all its advances and expenditures incurred by it in the exercise and performance of its powers and duties hereunder, including its costs and expenses of outside legal counsel and its allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with services of outside counsel.

SECTION 3.07. Indemnification. The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, defend, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents and servants from and against, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including its costs and expenses of outside legal counsel and its allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with services of outside counsel of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Agent (whether or not also indemnified against by the City or any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement, or as may arise by reason of any act, omission or error of the Escrow Agent made in good faith in the conduct of its duties under this Agreement; provided that no indemnification will be made for willful misconduct or negligence hereunder by the Escrow Agent. Notwithstanding any contrary provision hereof, this

covenant shall remain in full force and effect, even though the Prior Bonds are no longer outstanding or the Escrow Agent has been removed or has resigned.

SECTION 3.08. Liabilities and Obligations of Escrow Agent. The Escrow Agent shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the City shall have deposited sufficient funds therefor with the Escrow Agent. The Escrow Agent may rely and shall be protected in acting upon the written or oral instructions of the City, or its agents relating to any matter or action as Escrow Agent under this Agreement. The Escrow Agent shall not be required to act upon any oral instructions but may request that such instruction be given in writing.

The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the defeasance of the Prior Bonds, or any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any act, omission or error of the Escrow Agent made in the conduct of its duties provided such act, omission or error does not constitute negligence or willful misconduct. The recitals of fact contained in the “whereas” clauses herein shall be taken as the statement of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representations as to the sufficiency of the uninvested moneys to accomplish the redemption of the Prior Bonds or to the validity of this Agreement as to the City 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 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 Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, 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 Agreement, such manner (except the matter set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the City.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such

instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

No provision of the Fiscal Agent Agreement shall require the Fiscal 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.

SECTION 3.09. Merger or Consolidation of Escrow Agent; Resignation. 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, provided such company shall otherwise be eligible under this Escrow Agreement, shall be the successor hereunder to the Escrow Agent without the execution or filing of any paper or any further act.

The Escrow Agent may resign by providing written notice to the City. The City shall promptly appoint a successor Escrow Agent and upon notice in writing the Escrow Agent shall transfer the Escrow Fund to such successor and be discharged of any further duties hereunder. If the City should fail or refuse to appoint such a successor within 45 days after receiving such notice, the Escrow Agent may petition a court of competent jurisdiction at the expense of the City for appointment of a successor Escrow Agent.

ARTICLE 4. MISCELLANEOUS

SECTION 4.01. Amendments to this Agreement. This Agreement is made for the benefit of the City and the owners from time to time of the Prior Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the City, provided, however, that the City and the Escrow Agent may, without the consent of, or notice to, such owners enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Prior Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

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

SECTION 4.02. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the City 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 Agreement.

SECTION 4.03. Agreement Binding. All the covenants, promises and agreements in this Agreement contained by or on behalf of the City 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 4.04. Termination. This Agreement shall terminate when all transfers and payments required to be made by the Escrow Agent under the provisions hereof shall have been made.

SECTION 4.05. Governing Law. This Agreement shall be governed by the applicable internal laws of the State of California.

SECTION 4.06. Execution by Counterparts. This 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.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized officers.

CITY OF IRVINE

By _____
Sean Joyce
City Manager

ATTEST:

By: _____
City Clerk of the City of Irvine

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Escrow Agent

By _____
Its: _____

SCHEDULE A

Outstanding Bonds

Bonds

Maturity Date

Amount Outstanding

SCHEDULE B

Schedule of Payments

Date

Interest

Principal

Total

BOND PURCHASE AGREEMENT

by and between the

CITY OF IRVINE

and

**IRVINE PUBLIC FACILITIES AND
INFRASTRUCTURE AUTHORITY**

Dated December 1, 2011

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Definitions.....	2
Section 2. Purchase and Sale of Assessment Bonds.....	2
Section 3. Representations and Warranties of the City.....	3
Section 4. Conditions to the Obligations of the Authority.....	4
Section 5. Expenses	7
Section 6. Benefits; Survival.....	7
Section 7. Counterparts.....	7
Section 8. Governing Law	7
 EXHIBIT A - Maturity Schedule	

BOND PURCHASE AGREEMENT

THIS BOND PURCHASE AGREEMENT, is entered into as of December 1, 2011 (this “Bond Purchase Agreement”), by and between the Irvine Public Facilities and Infrastructure Authority (the “Authority”) and the City of Irvine (the “City”).

WITNESSETH:

WHEREAS, the City of Irvine, California (the “City”) authorized and issued its City of Irvine Assessment District No. 00-18 Improvement Bonds, Group Three (the “AD No. 00-18 Group Three Bonds”) pursuant to an Indenture of Trust dated as of _____, by and between the City and the Bank of New York Trust Company, N.A. (the “AD No. 00-18 Group Three Indenture”) for the purpose of financing certain capital facilities within Assessment District No. 00-18; and

WHEREAS, the City of Irvine, California (the “City”) authorized and issued its City of Irvine Assessment District No. 87-8 Improvement Bonds, Group Five (the “AD No. 87-8 Group Five Bonds”) pursuant to an Indenture of Trust dated as of _____, by and between the City and the Bank of New York Trust Company, N.A. (the “AD No. 87-8 Group Five Indenture”) for the purpose of financing certain capital facilities within Assessment District No. 87-8; and

WHEREAS, the City of Irvine, California (the “City”) authorized and issued its City of Irvine Assessment District No. 93-14 Improvement Bonds, Group One (the “AD No. 93-14 Group One Bonds”) pursuant to an Indenture of Trust dated as of _____, by and between the City and the Bank of New York Trust Company, N.A. (the “AD No. 93-14 Group One Indenture”) for the purpose of financing certain capital facilities within Assessment District No. 93-14; and

WHEREAS, the Irvine Public Facilities and Infrastructure Authority (the “Authority”) authorized and issued its Assessment Revenue Bonds, Series A (the “Series A Authority Bonds”) pursuant to an Indenture of Trust, dated as of January 1, 1999, by and between the Authority and Chase Bank of Texas, National Association, as Trustee (the “Series A Authority Bonds Indenture”) for the purpose of purchasing certain bonds issued for Reassessment District No. 99-1 and Reassessment District No. 99-2; and

WHEREAS, all of the above-described Bonds shall hereinafter be referred to collectively as the “Prior Bonds”); and

WHEREAS, the Authority is an instrumentality of the City duly organized and existing under the provisions of Chapter 6 of Division 7 of Title 2 of the City of Irvine Municipal Code (the “Act”), and is authorized pursuant to Section 2-7-631 et seq. of the Act to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations to provide financing or refinancing for public capital improvements of the City; and

WHEREAS, the City has determined that certain savings and efficiencies may be obtained by refunding the Prior Bonds of the City in the aggregate principal amount of \$_____ (collectively, the “Prior Bonds”); and

WHEREAS, in order to provide a portion of the moneys required to refund the Prior Bonds, the City has authorized the issuance, pursuant to a Fiscal Agent Agreement, dated as of December 1, 2011 (the "Fiscal Agent Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), of the City of Irvine Limited Obligation Improvement Bonds, Reassessment District No. 11-2 (the "Assessment Bonds"), in the aggregate principal amount of \$_____; and

WHEREAS, the Authority desires to assist the City in refinancing the public improvements financed with the Prior Bonds by purchasing the Assessment Bonds from the City; and

WHEREAS, in order to provide the funds necessary to purchase the Assessment Bonds from the City, the Authority has authorized the issuance, pursuant to an Indenture of Trust, dated as of December 1, 2011 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), of the Irvine Public Facilities and Infrastructure Authority Assessment Revenue Bonds, 2011 Series A (the "Authority Bonds"), in the aggregate principal amount of \$_____; and

WHEREAS, the Authority and the City have found and determined that the sale of the Assessment Bonds to the Authority will result in substantial public benefits to the City, namely, the interest savings with respect to the Assessment Bonds to be achieved by reason of the credit rating to be assigned to the Authority Bonds; and

WHEREAS, the Authority Bonds are being purchased from the Authority pursuant to a Bond Purchase Agreement, dated December 1, 2011 (the "Authority Purchase Agreement"), by and between the Authority and Piper Jaffray & Co. (the "Underwriter"); and

WHEREAS, the Authority and the City desire to enter into this Bond Purchase Agreement providing for the sale of the Assessment Bonds by the City to the Authority and containing the other agreements herein set forth;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the Authority and the City agree as follows:

Section 1. Definitions. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement.

Section 2. Purchase and Sale of Assessment Bonds.

(a) Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the City hereby agrees to sell to the Authority, and the Authority hereby agrees to purchase from the City, all (but not less than all) of the \$_____ aggregate principal amount of the Assessment Bonds. The Assessment Bonds shall have the maturities and shall bear interest as set forth in Exhibit A hereto.

(b) The Assessment Bonds and interest thereon shall be payable from annual Reassessments levied within the Districts (defined below) and collected in accordance with the Fiscal Agent Agreements and the proceedings relating thereto. The Assessment Bonds shall be

substantially in the form described in, and shall be executed, delivered and secured under and pursuant to, and shall be payable and subject to redemption as provided in, the Fiscal Agent Agreement. The proceeds of the Assessment Bonds, together with other available funds, will be used by the City to (i) refund the Prior Bonds, (ii) pay costs of issuance relating to the Assessment Bonds and the Authority Bonds, and (iii) fund the Reserve Funds established under the Fiscal Agent Agreement. The Fiscal Agent Agreement and this Bond Purchase Agreement are collectively referred to as the "Legal Documents".

(c) The City hereby ratifies, confirms and approves the Preliminary Official Statement of the Authority, dated _____, 2011, relating to the Authority Bonds, which contains certain information about the City, the City's Reassessment District No. 11-2 (the "District"), the Fiscal Agent Agreement and the Assessment Bonds (which, together with the cover page and all appendices thereto, is referred to herein as the "Preliminary Official Statement"), which Preliminary Official Statement the City deemed final and so certified as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12. The City hereby agrees to assist the Authority in the preparation of a final official statement (the "Official Statement"), consisting of the Preliminary Official Statement, with such changes as may be made thereto with the approval of the Authority, the City and the Underwriter, so that the Authority may deliver or cause to be delivered to the Underwriter, no later than the earlier of the day prior to the Closing Date (as hereinafter defined) or seven business days after the date the Underwriter agrees to purchase the Authority Bonds, copies of the Official Statement in such reasonable quantity as the Underwriter shall request. The City hereby approves of the use and distribution by the Underwriter of the Official Statement in connection with the offer and sale of the Authority Bonds.

(d) The aggregate purchase price for the Assessment Bonds shall be \$_____ (being the principal amount of the Assessment Bonds, less a purchaser's discount of \$_____), which shall be payable solely from proceeds of sale of the Authority Bonds.

(e) At 8:00 a.m., California time, on _____, or at such other time or on such other date as the Authority, the City and the Underwriter may mutually agree upon (the "Closing Date"), at the offices of Rutan & Tucker, LLP in Costa Mesa, California, the City shall deliver or cause to be delivered to the Authority, the Assessment Bonds in the form of fully registered certificates of each maturity for each issue (which may be typewritten), registered in the name of the Trustee, as assignee of the Authority, duly executed and authenticated, and the other documents mentioned herein. The Authority shall accept such delivery and pay the purchase price of the Assessment Bonds as provided in subparagraph (d) above in immediately available funds (such delivery and payment being herein referred to as the "Closing").

Section 3. Representations and Warranties of the City. The City hereby makes to the Authority the representations and warranties made by the City to the Underwriter in the City's Representation Letter, dated _____ (the "Representation Letter"), the form of which is attached to the Authority Purchase Agreement, to the same extent as if such representations and warranties were set forth in full herein.

Section 4. Conditions to the Obligations of the Authority. The Authority has entered into this Bond Purchase Agreement in reliance upon the representations, warranties and agreements of the City contained herein and to be contained in the documents and instruments to be delivered on the Closing Date, and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Authority's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Assessment Bonds shall be subject to the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and shall also be subject to the following conditions:

(a) The representations and warranties of the City contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) On the Closing Date, the Legal Documents shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except in either case as may have been agreed to by both the Authority and the Underwriter;

(c) As of the Closing Date, all official action of the City relating to the Districts, the Assessment Bonds and the refunding of the Prior Bonds shall be in full force and effect, and there shall have been taken all such actions as, in the opinion of Rutan & Tucker, LLP, bond counsel ("Bond Counsel"), shall be necessary or appropriate in connection therewith, with the issuance of the Authority Bonds and the Assessment Bonds, and with the transactions contemplated by the Legal Documents, all as described in the Official Statement;

(d) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering price or prices set forth in the Official Statement, of the Authority Bonds shall not have been materially adversely affected, in the reasonable judgment of the Underwriter, by reason of any of the following:

(i) an amendment to the Constitution of the United States or the constitution of the State of California (the "State") shall have been passed or legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Chairman or ranking minority member of the Committee of Ways and Means of the House of Representatives or the Chairman or ranking minority member of the Committee on Finance of the Senate, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or press release issued or made (A) by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon such interest as would be received by the owners of the Authority Bonds, (B) by or on behalf of the State or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing State personal income taxation upon such interest as would be received by the owners of the Authority Bonds, or (C) by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or by or on behalf of the State

or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of changing the federal or State income tax rates, respectively;

(ii) the declaration of war or engagement in major military hostilities by the United States or the occurrences of any other national emergency or calamity relating to the effective operation of the government of the United States;

(iii) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(iv) the imposition by the New York Stock Exchange or other national securities exchange or any governmental authority, of any material restrictions not now in force with respect to the Authority Bonds or obligations of the general character of the Authority Bonds, or the material increase of any such restrictions now in force;

(v) an amendment to the Constitution of the United States or the constitution of the State shall have been passed or legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed) or press release 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 Authority Bonds, or the Authority Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Fiscal Agent Agreement is or the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the execution, offering or sale of obligations of the general character of the Authority Bonds, or of the Authority Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(vi) the withdrawal or downgrading of any rating of the Authority Bonds by a national rating agency;

(vii) 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 has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(e) On the Closing Date, the Authority Bonds shall have been issued and delivered to the Underwriter and all of the conditions to closing contained in the Authority Purchase Agreement shall have either been satisfied or waived.

(f) At or prior to the Closing Date, the Authority and the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Authority and the Underwriter:

(i) Two copies of the Legal Documents, each duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Authority and the Underwriter;

(ii) The approving opinion, dated the Closing Date and addressed to the City, of Bond Counsel approving, without qualification, the validity of the Assessment Bonds, and a letter of such counsel, dated the Closing Date and addressed to the Authority and the Underwriter to the effect that such opinion may be relied upon by the Authority and the Underwriter to the same extent as if such opinion were addressed to them;

(iii) Copies of the City Resolutions (as defined in the Authority Purchase Agreement), certified by the City Clerk;

(iv) The opinion of the City Attorney, dated the Closing Date and addressed to the Authority and the Underwriter, to the effect set forth in Section 3(e)(v) of the Authority Purchase Agreement;

(v) The opinion, dated the Closing Date and addressed to the City, the Underwriter and the Authority, of Counsel to the Trustee and the Fiscal Agent, The Bank of New York Mellon Trust Company, N.A., as trustee and dissemination agent;

(vi) A certificate, dated the Closing Date, signed by a duly authorized official of the City, in form and substance satisfactory to the Authority and the Underwriter, to the effect that the representations and warranties of the City contained in this Bond Purchase Agreement 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;

(vii) A certificate, dated the Closing Date, signed by a duly authorized official of Escrow Agent, satisfactory in form and substance to the Authority and the Underwriter, to the effect set forth in Section 3(e)(x) of the Authority Purchase Agreement;

(viii) One certified copy of the general signing resolution of Escrow Agent authorizing the execution and delivery of the Indenture, the Fiscal Agent Agreement, the Escrow Agreements and the Continuing Disclosure Agreement by Escrow Agent;

(ix) A letter addressed to the City, the Underwriter and the Authority, dated the Closing Date, from _____, verifying the accuracy of the mathematical computations concerning the adequacy of the moneys to be paid to redeem the Prior Bonds, to pay when due at the stated maturity or call for redemption the principal of and interest and premium, if any, on the Prior Bonds; and

(x) Such additional legal opinions, certificates, proceedings, instruments or evidences thereof and other documents as the Authority, the Underwriter or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the City herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by Escrow Agent and the City at or prior to the Closing of all agreements then to be performed and

all conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Legal Documents.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Authority, but the approval of the Authority shall not be unreasonably withheld. Receipt of, and payment for, the Assessment Bonds shall constitute evidence of the satisfactory nature of such as to the Authority. The performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Authority may be waived by the Authority in its sole discretion.

If the City shall be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the Assessment Bonds contained in this Bond Purchase Agreement, or if the obligations of the Authority to purchase, accept delivery of and pay for the Assessment Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate, and neither the Authority nor the City shall be under further obligation hereunder, except that the respective obligations of the City and the Authority set forth in Section 5 hereof shall continue in full force and effect.

Section 5. Expenses. The Authority shall be under no obligation to pay, and the City shall pay (a) the cost of the preparation of the Assessment Bonds and the Authority Bonds, (b) the fees and disbursements of Bond Counsel, (c) the fees and disbursements of accountants, advisers and of any other experts or consultants retained by the City, and (d) any other expenses incident to the issuance of the Assessment Bonds and the Authority Bonds or the performance of the City's obligations hereunder.

Section 6. Benefits; Survival. This Bond Purchase Agreement is made solely for the benefit of the City, the Authority and the Underwriter, and no other person shall acquire or have any right hereunder or by virtue hereof. All of the City's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect regardless of (a) any investigations made by or on behalf of the Authority, or (b) delivery of and payment for the Assessment Bonds pursuant to this Bond Purchase Agreement. The agreements contained in this Section shall survive any termination of this Bond Purchase Agreement.

Section 7. Counterparts. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 8. Governing Law. The validity, interpretation and performance of this Bond Purchase Agreement shall be governed by the laws of the State.

IN WITNESS WHEREOF, the Authority and the City have each caused this Bond Purchase Agreement to be executed by their duly authorized officers all as of the date first above written.

**IRVINE PUBLIC FACILITIES AND
INFRASTRUCTURE AUTHORITY**

By: _____

CITY OF IRVINE

By: _____

EXHIBIT A

MATURITY SCHEDULE OF ASSESSMENT BONDS

Year (Sept. 2)	Principal \$	Interest Rate %
-------------------	-----------------	-----------------------

CONTINUING DISCLOSURE AGREEMENT

by and among

CITY OF IRVINE,

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Fiscal Agent**

and

**WILLDAN FINANCIAL SERVICES,
as Dissemination Agent**

Dated as of December 1, 2011

**\$ _____
CITY OF IRVINE
REASSESSMENT DISTRICT NO. 11-2
LIMITED OBLIGATION IMPROVEMENT BONDS**

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is made and entered into as of December 1, 2011, by and between WILLDAN FINANCIAL SERVICES, (“Willdan”) in its capacity as Dissemination Agent (the “Dissemination Agent”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under and by virtue of the laws of the United States of America (“Bank”) in its capacity as Fiscal Agent (the “Fiscal Agent”), and the CITY OF IRVINE, a chartered city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California and its Charter (the “City”);

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of December 1, 2011, by and between the City and the Bank (“Fiscal Agent Agreement”), the City has issued its Reassessment District No. 11-2 Limited Obligation Improvement Bonds (the “Bonds”) in the aggregate principal amount of \$_____;

WHEREAS, this Disclosure Agreement is being executed and delivered by the City and Bank for the benefit of the holders and beneficial owners of the Bonds and in order to assist the underwriters of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions.

Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement. In addition, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 hereof.

“**Authority**” means the Irvine Public Facilities and Financing Authority.

“**Authority Bonds**” means the Authority’s 2011 Series A Bonds.

“**Designated Parcels**” means the parcels of real property within the Reassessment District.

“**Disclosure Representative**” means the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Fiscal Agent from time to time.

“Dissemination Agent” means Willdan, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

“EMMA” means the MSRB’s Electronic Municipal Market Access system, which is currently available on the internet at <http://emma.msrb.org>.

“Fiscal Agent” means The Bank of New York Mellon Trust Company, N.A.

“Listed Events” means any of the events listed in Section 4(a) hereof.

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” means the Official Statement, dated _____, 2011, relating to the Bonds.

“Participating Underwriter” means any of the original underwriters of the Bonds or the Authority’s 2011 Series A Bonds, required to comply with the Rule in connection with the offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, file with the MSRB through EMMA an Annual Report which is consistent with the requirements of Section 3 hereof, not later than eight months after the end of the City’s fiscal year (which currently would be March 1), commencing with the Annual Report for the 2010-2011 fiscal year. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 4(a) hereof.

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

(c) If the Dissemination Agent is unable to verify that an Annual Report has been filed as required by subsection (a) by the date required in subsection (a), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall file a report with the City and (if the Dissemination Agent is not the Fiscal Agent) the Fiscal Agent certifying to the extent it can confirm the same, that the Annual Report has been filed as required by subsection (a) stating the date it was so filed.

Section 3. Content of Annual Reports.

The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements 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 City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to that used for the City's audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

1) The principal amount of Bonds and Authority Bonds Outstanding as of the preceding September 30 and the balance in any other funds held under the fiscal Agent Agreement or the Indenture relating to the Authority Bonds.

2) The balance in the Reserve Fund, and a statement of the Reserve Requirement, as of the preceding September 30 and the .

3) The total assessed value of all Designated Parcels, as shown on the assessment roll of the Orange County Assessor last equalized prior to the preceding September 30, and a statement of assessed value-to-lien ratios therefor, either by individual parcel or by categories (e.g. "below 3:1", "3:1 to 4:1" etc.).

4) The reassessment delinquency rate for the Designated Parcels, as shown on the assessment roll of the Orange County Assessor last equalized prior to the preceding September 30, the number of Designated Parcels delinquent in payment of reassessments, as shown on the assessment roll of the Orange County Assessor last equalized prior to the preceding September 30, the amount of each delinquency, the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the City; provided, however, that parcels with delinquencies of \$2,000 or less may be grouped together and such information may be provided by category.

5) The status of foreclosure proceedings for Designated Parcels and a summary of the results of any foreclosure sales as of the preceding September 30.

6) The identity of any property owner representing more than 5% of the reassessment levy on the Designated Parcels delinquent in payment of reassessments, as shown on the reassessment roll of the Orange County Assessor last equalized prior to the preceding September 30.

7) A land ownership summary listing property owners responsible for more than 5% of the reassessment levy on the area constituting the Designated Parcels, as shown on the reassessment roll of the Orange County Assessor last equalized prior to the preceding September 30, stating the percentage of such reassessment levy for which each such owner is responsible, as shown on such roll, and stating the percentage of the prior year's reassessment levy on the Designated Parcels for which each such owner was responsible, as shown on the reassessment roll of the Orange County Assessor last equalized prior to such roll.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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 City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

Section 4. Reporting of Listed Events.

(a) The City shall, or shall cause the Dissemination Agent (if not the City), to give notice of the occurrence of any of the following events with respect to the Bonds and the Authority Bonds:

- 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) Defeasances.
- 6) Rating changes.
- 7) Tender offers.

8) Bankruptcy, insolvency, receivership or similar event of the obligated person.¹

9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) Material Reportable Events. The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds and the Authority Bonds, if material:

- 1) Non-payment related defaults.
- 2) Modifications to rights of security holders.
- 3) Bond calls.
- 4) The release, substitution, or sale of property securing repayment of the securities.

5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.

6) Appointment of a successor or additional Fiscal Agent, or the change of name of a Fiscal Agent.

(c) Time to Disclose. If a Listed Event occurs, and if the Listed Event is described in subsection (b), the City determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection

¹ For the purposes of the event identified in subparagraph (8), 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 governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court of governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Fiscal Agent Agreement.

Section 5. Termination of Reporting Obligation.

The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds and the Authority Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(a) hereof.

Section 6. Dissemination Agent.

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the City and the Fiscal Agent. If at any time there is not any other designated Dissemination Agent, the Fiscal Agent shall be the Dissemination Agent.

Section 7. Amendment Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the City, the Fiscal Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the City, so long as such amendment does not adversely affect the rights or obligations of the Fiscal Agent or the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to Sections 2(a), 3 or 4(a) hereof it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of holders and beneficial owners.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial statements or information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 4(a) hereof.

Section 8. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Default.

In the event of a failure of the City or the Fiscal Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of any Participating Underwriter or the holders or beneficial owners of at least 25% aggregate principal amount of Outstanding Bonds, shall with indemnification satisfactory to it), or any holder or beneficial owner 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 City or Fiscal Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Fiscal Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent.

Article VIII of the Fiscal Agent Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Fiscal Agent Agreement. The Dissemination Agent and Fiscal Agent shall be entitled to the protections and limitations from liability afforded to the Fiscal Agent thereunder. The Dissemination Agent and the Fiscal Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and the City agrees to indemnify and save the Dissemination Agent, the Fiscal Agent, their officers, directors, employees and agents, harmless against any loss, expense and liabilities

which it may incur arising out of the disclosure of information pursuant to this Disclosure Agreement or arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. This Disclosure Agreement does not apply to any other securities issued or to be issued by the City. The Dissemination Agent shall have no obligation to make any disclosure concerning the Bonds, the City or any other matter except as expressly set out herein, provided that no provision of this Disclosure Agreement shall limit the duties or obligations of the Fiscal Agent under the Fiscal Agent Agreement. The Fiscal Agent shall have no responsibility for the preparation, form or content of any Annual Report or any notice of a Listed Event. The fact that the Fiscal Agent has or may have any banking, fiduciary or other relationship with the City or any other party, apart from the relationship created by the Fiscal Agent Agreement and this Disclosure Agreement, shall not be construed to mean that the Fiscal Agent has knowledge or notice of any event or condition relating to the Bonds or the City except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the City as to the materiality of any event for purposes of Section 4 hereof. Neither the Fiscal Agent nor the Dissemination Agent make any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The City hereby agrees to pay the Dissemination Agent its reasonable fees and expenses for its services hereunder. The City's obligations under this Section shall survive the termination of this Disclosure Agreement or the resignation or removal of the Fiscal Agent or Dissemination Agent.

Section 11. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. Counterparts.

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

Section 13. Merger.

Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

Section 14. Notices.

All notices or communications herein required or permitted to be given to the City, the Fiscal Agent or the Dissemination Agent shall be in writing and shall be deemed to have been

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF IRVINE

By: _____
Sean Joyce, City Manager

ATTEST:

City Clerk

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
as Fiscal Agent

By: _____
Authorized Officer

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Irvine

Name of Bond Issue: City of Irvine Reassessment District No. 11-2 Limited Obligation
Improvement Bonds

Date of Issuance: _____, 2011

NOTICE IS HEREBY GIVEN that the City of Irvine (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of December 1, 2011, by and among the City, The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent and Willdan Financial Services, as Dissemination Agent. [The City anticipates that the Annual Report will be filed by _____.]

Dated: _____, ____

WILLDAN FINANCIAL SERVICES, as
Dissemination Agent, on behalf of the City of
Irvine

cc: City of Irvine

In the opinion of Rutan & Tucker, LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "CONCLUDING INFORMATION—Tax Matters" herein.

NEW ISSUE - BOOK-ENTRY ONLY

RATING: S&P: ____
See "RATING" herein.
(See "CONCLUDING INFORMATION—Rating" herein)

\$37,705,000*

**IRVINE PUBLIC FACILITIES AND INFRASTRUCTURE AUTHORITY
ASSESSMENT REVENUE BONDS, 2011 SERIES A**

Dated: Date of Delivery

Due: September 2, as shown on inside cover page

The \$37,705,000* Irvine Public Facilities and Infrastructure Authority Assessment Revenue Bonds, 2011 Series A (the "Bonds") are being issued by the Irvine Public Facilities and Infrastructure Authority (the "Authority") pursuant to the provisions of Chapter 6 of Division 7 of Title II, Section 2-7-631 *et seq.* of the City of Irvine Municipal Code (the "Bond Law") and an Indenture of Trust, dated as of December 1, 2011 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are being issued to purchase an issue of limited obligation improvement bonds described herein (the "Assessment Bonds"). The Assessment Bonds are being issued by the City of Irvine (the "City") pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code) (the "Act"), and will be secured by certain unpaid reassessments (the "Assessments") levied by the City pursuant to the Act within the reassessment district relating to such issue of Assessment Bonds. The Assessment Bonds are being issued to refund certain outstanding limited obligation improvement bonds and pooled limited obligation improvement bonds of certain of the City's previously-formed assessment districts and reassessment districts. See "THE PLAN OF FINANCE" herein.

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Interest on the Bonds, payable at the rates set forth below, will be payable on September 2 and March 2 of each year, commencing March 2, 2012. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of \$5,000 or in any integral multiple of \$5,000. Payments of principal and interest will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

The Bonds will mature on September 2 in the years and in the amounts as shown on the Maturity Schedule set forth below. The Bonds are subject to optional redemption and mandatory redemption from Principal Prepayments prior to maturity as set forth herein. See "THE BONDS—Redemption of the Bonds" herein.

The Bonds are payable solely from Revenues of the Authority, consisting initially of debt service payments on the Assessment Bonds received by the Trustee, as the owner of the Assessment Bonds. Debt service payments on the Assessment Bonds are calculated to be sufficient to permit the Authority to pay debt service on the Bonds when due. The City has determined that it will not obligate itself to advance funds from its treasury to cover any delinquency on the Assessment Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE REVENUES AND OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE CITY OR OF THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ASSESSMENT BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE ASSESSMENTS LEVIED WITHIN THE RELATED REASSESSMENT DISTRICT AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT PURSUANT TO WHICH SUCH ASSESSMENT BONDS ARE ISSUED. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE ASSESSMENT BONDS.

This cover page contains information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the section entitled "SPECIAL RISK FACTORS", for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in making an informed investment decision about the Bonds.

MATURITY SCHEDULE*
See Inside Cover Page

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Rutan & Tucker, LLP, Costa Mesa, California, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority and the City by Rutan & Tucker, LLP, Costa Mesa, California, City Attorney, and by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC, on or about December __, 2011.

PIPER JAFFRAY & CO.

Dated: December __, 2011

* Preliminary, subject to change.

MATURITY SCHEDULE*

\$ _____ Serial Bonds

Maturity (September 2)	Principal	Interest Rate	Yield	CUSIP No.†
2012				
2013				
2014				
2015				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				

* Preliminary, subject to change.

† CUSIP data included here is subject to Copyright 2011, American Bankers Association. CUSIP data included herein is provided by the Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. and is provided for convenience of reference only. Neither the City, the Authority nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**IRVINE PUBLIC FACILITIES AND INFRASTRUCTURE AUTHORITY
and
CITY OF IRVINE
(Orange County, California)**

**MEMBERS OF THE AUTHORITY BOARD OF DIRECTORS
AND CITY COUNCIL**

Sukhee Kang, *Chairperson/Mayor*
Beth Krom, *Vice Chairperson/Mayor Pro Tempore*
Larry Agran, *Board Member/Councilmember*
Steven Choi, *Board Member/Councilmember*
Jeffrey Lalloway, *Board Member/Councilmember*

**AUTHORITY OFFICERS
AND CITY STAFF**

Sean Joyce, *Authority Secretary/City Manager*
Sharon Landers, *Assistant City Manager*
Michele C. Lund, *Authority Treasurer/City Treasurer*
Sharie Apodaca, *Authority Assistant Secretary/City Clerk*
Philip D. Kohn (Rutan & Tucker, LLP), *Authority Counsel/City Attorney*
Gary Burton, *Director of Administrative Services*
Eric Tolles, *Director of Community Development*
Brian Fisk, *Director of Community Services*
Craig Reem, *Director of Public Affairs/Communications*
David L. Maggard, *Director of Public Safety*
Manuel Gomez, *Director of Public Works*
Donna Mullally, *Authority Fiscal Officer/Manager of Fiscal Services*

PROFESSIONAL SERVICES

Bond Counsel

Rutan & Tucker, LLP
Costa Mesa, California

Authority Counsel/City Attorney

Rutan & Tucker, LLP
Costa Mesa, California

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Reassessment Consultant

Willdan Financial Services
Anaheim, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Financial Advisor to the City

Fieldman, Rolapp & Associates
Irvine, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Authority, the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation of such by the Authority or the City. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or the Reassessment District (as defined herein) since the date hereof.

The discussion and information herein relating to the Bonds, the Reassessment District, the Authority, and the City do not purport to be comprehensive or definitive. All references to the Bonds are qualified in their entirety by reference to the Indenture setting forth the terms and descriptions thereof. The summaries and references to any code, act, resolution, the Indenture or Fiscal Agent Agreement (as defined herein), and to other statutes and documents in this Official Statement do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each statute and document.

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.

CUSIP data included here is subject to Copyright 2011, American Bankers Association. CUSIP data included herein is provided by the Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. and is provided for convenience of reference only. Neither the City nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

The City maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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

TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE PLAN OF FINANCE.....	2
ESTIMATED SOURCES AND USES OF FUNDS	4
Bonds	4
Assessment Bonds	4
THE BONDS	4
Description of the Bonds	4
Redemption of the Bonds.....	5
Transfers and Exchange.....	7
Debt Service Schedule.....	8
SECURITY FOR THE BONDS	8
General	8
Assessment Bonds	9
Assessment Reserve Fund.....	10
Additional Authority Bonds for Refunding Only	11
Additional Assessment Bonds	11
Covenant for Superior Court Foreclosure.....	11
Priority of Lien.....	12
Teeter Plan	12
METHOD OF REASSESSMENT.....	13
THE REASSESSMENT DISTRICT	13
General	13
The Reassessment District	13
Status of Public Improvements	14
Land Uses and Development Status	14
Largest Landowners by Assessment Amount.....	15
Debt Service Coverage	17
Property Tax and Assessment Payment Delinquency Status.....	18
Estimated Value-to-Lien Ratios.....	19
Direct and Overlapping Debt	20
CONTINUING DISCLOSURE.....	24
SPECIAL RISK FACTORS	25

TABLE OF CONTENTS

(continued)

	Page
The Bonds are Limited Obligations of the Authority	25
The Assessments are Not Personal Obligations of the Property Owners	25
The Assessment Bonds are Limited Obligations of the City	25
Risks of Real Estate Secured Investments Generally	26
Foreclosure Shortfall.....	26
Nonavailability of City Funds.....	26
Bankruptcy and Foreclosure Delays	27
Teeter Plan Termination	27
FDIC/Federal Government Interests in Properties.....	28
Price Realized Upon Foreclosure.....	28
Direct and Overlapping Indebtedness	29
Earthquakes.....	29
Land Values	29
Hazardous Substances.....	30
Endangered Species	31
Cumulative Burden of Parity Taxes, Special Assessments and Development Costs.....	31
California Constitution Article XIII C and Article XIII D	31
Ballot Initiatives and Legislative Measures	32
No Acceleration	32
IRS Audit of Tax-Exempt Bond Issues.....	33
Loss of Tax Exemption.....	33
THE AUTHORITY	33
THE CITY	33
CONCLUDING INFORMATION	34
Underwriting.....	34
Legal Opinion	34
Tax Matters	35
Financial Advisor.....	36
No Litigation.....	36
Verification of Mathematical Computations.....	37
Rating	37
Miscellaneous	37

TABLE OF CONTENTS
(continued)

	Page
APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND FISCAL AGENT AGREEMENT.....	A-1
APPENDIX B - PROPOSED FORM OF BOND COUNSEL OPINION.....	B-1
APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT	C-1
APPENDIX D - BOOK-ENTRY SYSTEM.....	D-1
APPENDIX E - REASSESSMENT DISTRICT BOUNDARY MAP	E-1
APPENDIX F - ASSESSMENT ROLL	F-1

INSERT LOCATION MAP

\$37,705,000*
IRVINE PUBLIC FACILITIES AND INFRASTRUCTURE AUTHORITY
ASSESSMENT REVENUE BONDS, 2011 SERIES A

INTRODUCTION

This Official Statement, including the cover page, the inside cover page, the table of contents and the Appendices, is provided to furnish information in connection with the sale by the Irvine Public Facilities and Infrastructure Authority (the "Authority") of its \$37,705,000* aggregate principal amount of Assessment Revenue Bonds, 2011 Series A (the "Bonds"). The Bonds will be issued by the Authority pursuant to the provisions of Chapter 6 of Division 7 of Title II, Section 2-7-631 *et seq.* of the City of Irvine Municipal Code (the "Bond Law") and an Indenture of Trust, dated as of December 1, 2011 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The proceeds from the sale of the Bonds will be used to purchase \$_____ aggregate principal amount of City of Irvine Limited Obligation Improvement Bonds, Reassessment District No. 11-2 (the "Assessment Bonds"). The Assessment Bonds are being issued by the City of Irvine (the "City") pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code) (the "Act") and a Fiscal Agent Agreement, dated as of December 1, 2011 (the "Fiscal Agent Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), and will be secured by certain unpaid reassessments (the "Assessments") levied by the City pursuant to the Act within Reassessment District No. 11-2 (the "Reassessment District") of the City.

The proceeds from the sale of the Assessment Bonds will be used principally to refund certain outstanding limited obligation improvement bonds and pooled limited obligation improvement bonds of certain of the City's previously-formed assessment districts and reassessment districts. See "THE PLAN OF FINANCE" herein.

The Bonds are secured by all amounts derived from the Assessment Bonds issued by the City, and acquired by the Authority pursuant to the Indenture, including but not limited to all payments of principal thereof, premium, if any, and interest thereon (the "Revenues"). Pursuant to the Indenture, the Authority has assigned to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all right, title and interest of the Authority in the Assessment Bonds. See "SECURITY FOR THE BONDS" herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE REVENUES AND OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE CITY OR OF THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

The summaries and references to documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety to each document, statute, report or instrument. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

* Preliminary, subject to change.

THE PLAN OF FINANCE

The Bonds are being issued in order to provide funds to purchase the Assessment Bonds. The Assessment Bonds are being issued to refund three separate issues of fixed rate assessment bonds and one issue of pooled refunding bonds payable from two issues of fixed rate reassessment bonds (the “Refunded Bonds”) of the City. Each such issue of fixed rate bonds is secured by the unpaid assessments and reassessments levied on certain designated parcels within one of three previously established assessment districts and two reassessment districts (the “Prior Assessment Districts”) of the City, as specified in the related indenture pursuant to which such bonds were issued. The Prior Assessment Districts are Assessment District No. 00-18, Assessment District No. 87-8, Assessment District No. 93-14, Reassessment District No. 99-1 and Reassessment District No. 99-2. The Reassessment District consists of a portion of the parcels within Assessment District Nos. 00-18, 87-8 and 93-14, and all of the parcels in Reassessment District Nos. 99-1 and 99-2, the assessments and reassessments on which secure the Refunded Bonds.

The following table sets forth the Prior Assessment District in which are located the parcels the assessments and reassessments levied on which secure such issue of Refunded Bonds and the outstanding principal amount of each issue of Refunded Bonds.

**Table 1
City of Irvine
Reassessment District No. 11-2
Description of Refunded Bonds**

Prior Assessment District No.	Outstanding Principal Amount
00-18 G3	\$20,650,000
87-8 G5	2,410,000
93-14 G1	1,430,000
99-1	220,000
99-2	<u>15,543,000⁽¹⁾</u>
Total	\$40,253,000

(1) The outstanding principal amount to be refunded is net of approximately \$10 million in surplus construction funds on deposit with respect to this Reassessment District No. 99-2 that will be used to redeem Series A Authority Bonds on March 2, 2012.

The Refunded Bonds include each of the following:

The City issued \$27,220,000 of its City of Irvine Assessment District No. 00-18 Limited Obligation Improvement Bonds, Group Three (the “AD No. 00-18 Group Three Bonds”) pursuant to an Indenture, dated as of October 1, 2001, by and between the City and BNY Western Trust Company, predecessor to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “AD No. 00-18 Trustee”), as amended and supplemented by a First Supplemental Indenture, dated as of July 1, 2002 and a Second Supplemental Indenture, dated as of July 1, 2003, each by and between the City and the AD No. 00-18 Trustee (as so amended and supplemented, the “AD No. 00-18 Group Three Indenture”) for the purpose of financing certain capital facilities within Assessment District No. 00-18. As of the date hereof, \$20,650,000 of the AD No. 00-18 Group Three Bonds are outstanding.

The City issued \$5,695,000 of its City of Irvine Assessment District No. 87-8 Limited Obligation Improvement Bonds, Group Five (the “AD No. 87-8 Group Five Bonds”) pursuant to an Indenture, dated as of November 1, 1998, by and between the City and Chase Bank of Texas, National Association, predecessor to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “AD No. 87-8 Trustee”), as amended and supplemented by a First Supplemental Indenture, dated as of July 1, 1999, a Second Supplemental Indenture, dated as of July 1, 2000, a Third Supplemental Indenture, dated as of June 1, 2001, a Fourth Supplemental Indenture, dated as of July 1, 2002, a Fifth Supplemental Indenture, dated as of July 1, 2003 and a Sixth Supplemental Indenture, dated as of March 1, 2004, each by and between the City and the AD No. 87-8 Trustee (as so amended and supplemented, the “AD No. 87-8 Group Five Indenture”) for the purpose of financing certain capital facilities within Assessment District No. 87-8. As of the date hereof, \$2,410,000 of the AD No. 87-8 Group Five Bonds are outstanding.

The City issued \$1,905,000 of its City of Irvine Assessment District No. 93-14 Limited Obligation Improvement Bonds, Group One (the “AD No. 93-14 Group One Bonds”) pursuant to an Indenture, dated as of September 1, 2000, by and between the City and Chase Manhattan Bank Trust Company, National Association, predecessor to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “AD No. 93-14 Trustee”), as amended and supplemented by a First Supplemental Indenture, dated as of July 1, 2003, by and between the City and the AD No. 93-14 Trustee (as so amended and supplemented, the “AD No. 93-14 Group One Indenture”) for the purpose of financing certain capital facilities within Assessment District No. 93-14. As of the date hereof, \$1,430,000 of the AD No. 93-14 Group One Bonds are outstanding.

The Irvine Public Facilities and Infrastructure Authority (the “Authority”) issued \$66,240,000 aggregate principal amount of its Assessment Revenue Bonds, Series A (the “Series A Authority Bonds”) pursuant to an Indenture of Trust, dated as of January 1, 1999, by and between the Authority and Chase Bank of Texas, National Association, predecessor to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Series A Authority Bonds Indenture”) for the purpose of purchasing certain bonds issued for the City’s Reassessment District No. 99-1 and Reassessment District No. 99-2. As of the date hereof, \$24,560,000 of the Series A Authority Bonds are outstanding. The portion to be refunded by proceeds of the Bonds is expected to be net of approximately \$10 million in surplus construction funds on deposit with respect to Reassessment District No. 99-2 that will be used to redeem Series A Authority Bonds on March 2, 2012.

Each of the issues of Refunded Bonds is subject to optional redemption on March 2, 2012. Concurrently with the delivery of the Assessment Bonds, the City will cause a portion of the proceeds of the sale of the Assessment Bonds to be deposited into an escrow fund (the “Escrow Fund”) established under an Escrow Agreement, dated as of December 1, 2011, by and between the City and The Bank of New York Mellon Trust Company, N.A., as Escrow Bank, to be applied to the payment and redemption of the Refunded Bonds. Amounts in the Escrow Fund will be gross funded with cash, to be held uninvested, such that an amount sufficient will be available to pay the principal of and interest on the Refunded Bonds to and including March 2, 2012 and to pay the redemption price thereof on March 2, 2012, as verified by [Verification Agent] (the “Verification Agent”), an independent firm of certified public accountants. See “ESTIMATED SOURCES AND USES OF FUNDS.”

ESTIMATED SOURCES AND USES OF FUNDS

Bonds

The sources and uses of proceeds of sale of the Bonds are as follows:

<u>Sources</u>	<u>Total</u>
Principal Amount of Bonds	
Less Underwriter's Discount	
Total Sources	
<u>Uses</u>	
Program Fund ⁽¹⁾	
Total Uses	

(1) Applied to the purchase of \$_____ principal amount of Assessment Bonds.

Assessment Bonds

The sources and uses of proceeds of sale of the Assessment Bonds are as follows:

<u>Sources</u>	<u>Total</u>
Principal Amount of Assessment Bonds	
Less Purchaser's Discount	
Transfer from funds and accounts for Prior Assessment Bonds	
Total Sources:	
<u>Uses</u>	
Assessment Reserve Fund ⁽¹⁾	
Costs of Issuance Funds ⁽²⁾	
Continuing Costs Accounts ⁽³⁾	
Escrow Fund	
Total Uses:	

(1) An amount equal to the Assessment Reserve Requirement (as defined in the Fiscal Agent Agreement).

(2) To pay costs of issuance, including legal fees, and printing fees.

(3) Deposit to Continuing Costs Accounts of the Redemption Funds to pay administrative expenses.

THE BONDS

Description of the Bonds

The Bonds will be issued in fully registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof within a single maturity. So long as DTC is acting as securities depository for the Bonds, payments of principal of and interest on the Bonds will be made to DTC. See APPENDIX D – "BOOK-ENTRY SYSTEM." The Bonds will be dated the date of delivery and will bear interest at the rates per annum and will mature, subject to the redemption provisions set forth below, on the dates and in the principal amounts, all as set forth on the inside cover page hereof.

Interest on the Bonds is payable semiannually on March 2 and September 2 of each year, commencing March 2, 2012 (each an "Interest Payment Date") to the Persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided in the Indenture. Such interest will be paid by check of the Trustee mailed by first class mail, postage prepaid on each Interest Payment Date to the Bond Owners at their respective addresses shown on the Registration Books as of the close of business on

the preceding Record Date, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Trustee, received at least ten days prior to a Record Date, specifying the account or accounts to which such payment will be made, payment of interest will be made by wire transfer of immediately available funds on the following Interest Payment Date. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The principal of and premium, if any, on the Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Trustee. Payment of principal of and premium, if any, on any Bond will be made only upon presentation and surrender of such Bond at the Office of the Trustee.

Redemption of the Bonds

Optional Redemption

The Bonds maturing on or after September 2, 20__, are subject to optional redemption in whole, or in part, among maturities on such basis as are designated by the Authority in a Written Certificate of the Authority filed with the Trustee, on any Interest Payment Date on or after September 2, 20__, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 2, 20__ and March 2, 20__	102%
September 2, 20__ and March 2, 20__	101
September 2, 20__ and thereafter	100

The terms for optional redemption of Bonds above are not applicable to circumstances under which the Bonds are subject to mandatory redemption from Principal Prepayments below.

Mandatory Redemption From Principal Prepayments

The Bonds are subject to mandatory redemption, in whole, or in part, on any Interest Payment Date, from and to the extent of any Principal Prepayments with respect to the Assessment Bonds, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
____ 2, 2012 through March 2, 20__	103%
September 2, 20__ and March 2, 20__	102
September 2, 20__ and March 2, 20__	101
September 2, 20__ and thereafter	100

The principal amount of Bonds to be redeemed from Principal Prepayments with respect to the Assessment Bonds will be the greatest principal amount of Bonds, the Redemption Price of which is less than or equal to such Principal Prepayments, as specified in a Written Request of the Authority delivered to the Trustee. In the event that the Fiscal Agent shall mail notice of the redemption of any Assessment Bonds which will produce Principal Prepayments, the Trustee will concurrently mail notice of the redemption of Bonds from Principal Prepayments with respect to Assessment Bonds, such redemption to occur on the date fixed for such redemption of the Assessment Bonds. The proceeds of any such

redemption of the Assessment Bonds will be applied by the Trustee to pay the Redemption Price of Bonds on the date of such redemption of the Assessment Bonds.

For purposes of the selection of Bonds for mandatory redemption from Principal Prepayments with respect to Assessment Bonds, the Bonds will be selected for redemption among maturities by the Authority (evidenced pursuant to a Written Certificate of the Authority delivered to the Trustee at least 60 days prior to the redemption date or such later date as shall be acceptable to the Trustee) on such basis that the remaining payments of principal of and interest on the Assessment Bonds will be sufficient on a timely basis to pay debt service on the Bonds, as shall be demonstrated in a report of an Independent Financial Consultant filed with the Trustee.

Notice of Redemption

So long as DTC is acting as securities depository for the Bonds, notice of redemption, containing the information required by the Indenture, will be mailed by first class mail, postage prepaid, by the Trustee to DTC (not to the Beneficial Owners of any Bonds designated for redemption) at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and will designate the Series of Bonds, the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption.

With respect to any notice of any optional redemption of Bonds, unless at the time such notice is given the Bonds to be redeemed will be deemed to have been paid within the meaning of the Indenture, such notice may state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Bonds to be redeemed, and that if such moneys will not have been so received said notice will be of no force and effect and the City will not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption will not be made.

Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the sufficiency of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds maturing on a particular date, the Trustee will select the Bonds maturing on such date to be redeemed from all Bonds maturing on such date not previously called for redemption, by lot in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Effect of Notice of Redemption

Notice having been mailed as aforesaid, and moneys for the redemption (including the interest to the applicable date fixed for redemption and including any applicable premium) having been deposited

with the Trustee in the Redemption Account, the Bonds will become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds will be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the redemption of all the Bonds to be redeemed, together with interest to said date, is held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof has been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

Transfers and Exchange

So long as the Bonds remain in book-entry, transfer and exchange of any of the Bonds will be accomplished in accordance with the provisions of such book-entry system. In the event of termination of such book-entry system with respect to the Bonds, then any Bond may be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds for a like aggregate principal amount of the same maturity (and interest rate if a bifurcated maturity), in any authorized denomination. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same maturity, of other authorized denominations. The Trustee will require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee will not be obligated to make any transfer or exchange of Bonds during the period established by the Trustee for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

Debt Service Schedule

The schedule of annual debt service payments for the Bonds is as follows:

<u>Year Ending September 2</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
Total:			

SECURITY FOR THE BONDS

General

The Bonds, including the Bonds, are limited obligations of the Authority payable solely from the Revenues and other assets pledged therefor under the Indenture. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts [(including proceeds of the sale of the Bonds)] held in any fund or account established pursuant to the Indenture are pledged by the Authority to secure payment of the principal of, premium, if any, and interest on the Bonds. Said pledge constitutes a first lien on such assets. "Revenues" is defined in the Indenture to mean all amounts derived from or with respect to the Assessment Bonds, including but not limited to all payments of principal thereof, premium, if any, and interest thereon.

Pursuant to the Indenture, the Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Assessment Bonds. Under the Indenture, the Trustee is entitled to and will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority and will forthwith be paid by the Authority to the Trustee. The Trustee also will be entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under and with respect to the Assessment Bonds.

In accordance with the provisions of the Indenture, the Trustee, upon the issuance of the Assessment Bonds, will be the registered owner of the Assessment Bonds and will therefore receive from the Fiscal Agent the payments of the principal of and the premium, if any, and interest on the Assessment Bonds.

Pursuant to the Act, the City is required annually to transmit to the Auditor of the County of Orange (the "County") the respective amounts of individual installments on all unpaid Assessments, the sum of

which individual Assessment installments is sufficient to pay the principal of and interest on the Assessment Bonds as such principal and interest become due and payable. Said Assessment installments are then billed on the regular County property tax bills and are remitted to the City in accordance with established procedures for such remittances.

Assuming timely payment by the respective property owners of the obligations (including the Assessment installments) billed on the regular County property tax bills, and further assuming timely remittance by the County to the City of the amount of such Assessment installments thereby collected, the City will have sufficient funds from the Assessment installments to make timely payment to the Fiscal Agent of each March 2 interest payment and each September 2 principal and interest payment on the Assessment Bonds, as the same become due and payable. See “SPECIAL RISK FACTORS” herein for a discussion of factors which could affect the collection of Assessment installments. Debt service payments on the Assessment Bonds are calculated to be sufficient to permit the Authority to pay the principal of and interest on the Bonds when due.

The Reassessment District is included in the County’s Teeter Plan, which is an alternative method for the distribution of secured property taxes to local agencies. If the County’s Teeter Plan is terminated (or if the County fails to make payments to the City when due under the Teeter Plan), the failure of any owners to pay any Assessment installments in a timely manner could result in the unavailability of money to pay the principal of or interest on the Bonds when due. See “- Teeter Plan” below.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE REVENUES AND OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE CITY OR OF THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Assessment Bonds

The Assessment Bonds are secured by the unpaid Assessments levied upon private property within the Reassessment District, pursuant to the Act. Such unpaid Assessments (together with interest thereon), and moneys in the Redemption Fund established for the Assessment Bonds constitute a trust fund for the redemption and payment of the principal of, premium, if any, and interest on the Assessment Bonds. Principal of, premium, if any, and interest on the Assessment Bonds are payable exclusively out of the Redemption Fund established under the Fiscal Agent Agreement pursuant to which such Assessment Bonds were issued. Pursuant to the Fiscal Agent Agreement, a reserve fund (the “Assessment Reserve Fund”) has been established for the Assessment Bonds issued thereunder in the amount of the Assessment Reserve Requirement (as defined in the Fiscal Agent Agreement). See “Assessment Reserve Fund” herein for a detailed description of such Assessment Reserve Fund.

The Assessments levied within the Reassessment District and each installment thereof and any interest and penalties thereon constitute liens against the parcels of land on which they are levied until the same are paid. See “Priority of Lien” herein for a discussion of the priority of such liens. While there are no prior special assessment liens on any of the parcels of land within the Reassessment District, there are liens for special taxes and the recurring lien for general property taxes. See “THE REASSESSMENT DISTRICT—Direct and Overlapping Debt” herein.

Although the unpaid assessments within a reassessment district constitute liens on the parcels of land assessed within such reassessment district, they do not constitute a personal indebtedness of the

respective property owners. There is no assurance that present property owners will remain the property owners, that property owners will be financially able to pay their Assessments, or that property owners will in fact pay such Assessments even though financially able to do so.

Under provisions of the Act, Assessment installments sufficient to meet annual payments of principal of and interest on the Assessment Bonds are to be collected on the regular property tax bills sent by the County Tax Collector to owners of the parcels of land against which there are unpaid Assessments. Annual installments of Assessments are to be paid into the Redemption Fund for the Assessment Bonds, which will be held by the Fiscal Agent and used to pay the principal of and interest on such Assessment Bonds as they become due. The installment billed against each parcel of land within the Reassessment District each year represents a *pro rata* share of the total principal and interest coming due on all of the Assessment Bonds that year. The amount billed against each parcel of land within the Reassessment District is based on the percentage which the unpaid Assessment against the parcel bears to the total of unpaid Assessments within the Reassessment District, plus an administrative charge of the City. The failure of a property owner to pay an annual Assessment installment will not result in an increase in Assessment installments against other property in the Reassessment District.

In the event of delinquencies of a certain amount respecting any installment of an unpaid Assessment, and with respect to all delinquencies in certain circumstances, as prescribed in the Fiscal Agent Agreement, the City has covenanted to institute superior court foreclosure proceedings to enforce payment of such delinquencies. See "Covenant for Superior Court Foreclosure" herein.

ALL OBLIGATIONS OF THE CITY UNDER THE ASSESSMENT BONDS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY, BUT WILL BE LIMITED OBLIGATIONS, PAYABLE SOLELY FROM THE REASSESSMENTS LEVIED WITHIN THE REASSESSMENT DISTRICT AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT PURSUANT TO WHICH SUCH ASSESSMENT BONDS ARE ISSUED. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE ASSESSMENT BONDS.

Assessment Reserve Fund

The Fiscal Agent Agreement requires the establishment of an Assessment Reserve Fund in the amount of the Assessment Reserve Requirement. The Fiscal Agent Agreement defines "Reserve Requirement" to be, as of any date of any calculation, an amount equal to the least of (i) 10% of the original aggregate principal amount of the Assessment Bonds, (ii) Maximum Annual Debt Service on the Assessment Bonds, and (iii) 125% of Average Annual Debt Service on the Assessment Bonds. Upon the issuance of the Assessment Bonds, the amount specified for such purpose under the heading "ESTIMATED SOURCES AND USES OF FUNDS" will be deposited into the Assessment Reserve Fund established for the Assessment Bonds under the Fiscal Agent Agreement. Transfers will be made pursuant to the Fiscal Agent Agreement from the Assessment Reserve Fund for the Assessment Bonds issued thereunder to the Redemption Fund established thereunder in the event of a deficiency in such Redemption Fund. The amount so advanced will be reimbursed to the Assessment Reserve Fund for such Assessment Bonds from the proceeds of redemption or sale of the parcel for which payment or reimbursement of any delinquent Assessment was made from such Assessment Reserve Fund. If any Assessment is prepaid before final maturity of the Assessment Bonds, the City is authorized by the Fiscal Agent Agreement to reduce the amount in the Assessment Reserve Fund established thereunder and transfer to the Prepayment Account established thereunder an amount in the proportion in which the Assessment prepaid within the Reassessment District bears to the total original unpaid Reassessments levied within the Reassessment District.

Additional Authority Bonds for Refunding Only

In addition to the Bonds, the Authority may, subject to the requirements of the Bond Law, by Supplemental Indenture establish one or more Series of Bonds payable from the Revenues on a parity with the Bonds and secured by a lien upon and pledge of Revenues equal to the lien and pledge securing the Bonds, solely for the purpose of refunding Outstanding Bonds.

Additional Assessment Bonds

The Fiscal Agent Agreement provides that the City shall not issue any additional bonds, notes or other evidences of indebtedness payable from the Assessments.

Covenant for Superior Court Foreclosure

If a delinquency occurs in the payment of any Assessment installment securing the Assessment Bonds, the Fiscal Agent will have a duty only to transfer into the Redemption Fund for such Assessment Bonds from the Assessment Reserve Fund for such Assessment Bonds (but only to the extent funds are available therein) the amount necessary to pay principal of or interest on such Assessment Bonds when due. There is no assurance that sufficient funds will be available in the Assessment Reserve Fund for the Assessment Bonds for such purpose. The City has determined, pursuant to Section 8769 of the California Streets and Highways Code, that it will not obligate itself to advance funds from its treasury to cover any delinquency in the Assessments or payments on the Assessment Bonds.

The City has covenanted in the Fiscal Agent Agreement that it will within 150 days of a delinquency in the payment of Assessments securing the Assessment Bonds issued thereunder or interest thereon, or amounts to pay the continuing costs of such Assessment Bonds, forthwith undertake and diligently prosecute foreclosure proceedings in the manner prescribed in the Act to collect such delinquent amounts; *provided, however,* that if the amount collected is greater than 92.5% of the installment of such Assessments and interest thereon, and amounts to pay such continuing costs, to be collected, the City will not be required to undertake such foreclosure proceedings, unless it is determined that any single property owner is delinquent in excess of \$7,000 in the payment of such amounts in which case it shall diligently institute, prosecute and pursue such foreclosure proceedings against such property owner as set forth in the Fiscal Agent Agreement.

Upon the redemption or sale of the real property responsible for such delinquencies, the City shall deposit in the Assessment Reserve Fund for the Assessment Bonds from the net proceeds of such redemption or sale, the amount of any delinquency advanced therefrom pursuant to the Fiscal Agent Agreement; *provided, however,* that if and to the extent that any such deposit would cause the amount on deposit in such Assessment Reserve Fund to exceed the Assessment Reserve Requirement therefor, such excess shall be deposited in the Redemption Fund established under the Fiscal Agent Agreement. The balance, if any, of such redemption or sale proceeds shall be disbursed as set forth in the judgment of foreclosure or as required by law.

Even though foreclosure is commenced and diligently prosecuted in accordance with the City's foreclosure covenant, neither the City nor the Authority can provide any assurance that, in the event such foreclosure progresses to the point of a foreclosure sale, there will be any bidder for the subject parcel or parcels. While assessed valuations would indicate that each of the parcels within the Reassessment District has sufficient value to assure meaningful bidding at such foreclosure sale, there is no assurance that such present value will not decline in the future, and neither the City nor the Authority is obligated to be a bidder at such foreclosure sale. In the absence of any outside bidder, the foreclosure sale may not produce money to the City in satisfaction of its foreclosure judgment from which to pay the principal of

or the interest on the Assessment Bonds secured by such delinquencies in the payments of Assessments. See “SPECIAL RISK FACTORS.”

Priority of Lien

The unpaid Assessments levied within the Reassessment District and each installment thereof and any interest and penalties thereon constitute a lien against each of the respective parcels within the Reassessment District until the same are paid. Such lien is subordinate to all special assessment liens previously imposed upon the same property, but has priority over all private liens and over all special assessment liens which may thereafter be created against the same property. However, such lien is on a parity with the lien of general property taxes and any special taxes imposed, whether prior to the date hereof or in the future, against parcels within the Reassessment District pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the “Mello-Roos Act”), or other applicable legislation. While there are no prior special assessment liens on any of the parcels of land in the Reassessment District, there are liens for special taxes and the recurring lien for general property taxes. See “THE REASSESSMENT DISTRICT—Direct and Overlapping Debt” herein.

Teeter Plan

In 1993, the County implemented an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the California Revenue and Taxation Code, commonly referred to as the “Teeter Plan.” The Teeter Plan is a mechanism by which the County has elected to include taxes and assessments levied within assessment and reassessment districts within the Teeter Plan method of apportionment and distribution of taxes and assessments collected by the County for local government agencies. Pursuant to the Teeter Plan, the County apportions to the local agencies 100% of the amount of the taxes and assessments which are levied regardless of the amount collected from property owners. The County retains all penalties and interest which are collected with delinquent taxes and assessments. Thus, so long as the Assessments levied on parcels within the Reassessment District is subject to the Teeter Plan, the County is required to pay to the City 100% of the Assessments which are collected in each fiscal year.

The Assessments are allocated and distributed to the City in installments as they are collected, beginning in November and ending in January with respect to the first installment of the Assessments which is due on December 10 of each year, and beginning in March and ending in May with respect to the second installment of the Assessments which is due on April 10 of each year. The City will receive reports from the County Treasurer regarding delinquent Assessments in February and May of each year. Toward the end of July of each year, the City will receive a final distribution of all delinquent Assessments collected for the preceding fiscal year.

The City must comply with the following requirements, among others, in order to have its Assessments apportioned and distributed pursuant to the Teeter Plan: (a) it must participate in the County Treasurer’s Special Tax Monitoring System, (b) it may not separately collect Assessments before August 1 following the end of each tax year, (c) if it collects Assessments separately after July 31 in any tax year, it must collect penalties and interest at the correct rates (i.e., 10% plus 1.5% of the principal amount per month after June 30) and forward such amounts together with the delinquent Assessments to the County Treasurer, and (d) it must comply with its covenants to initiate and prosecute judicial foreclosure proceedings with respect to delinquent Assessments.

The above-mentioned prohibition on the City separately collecting Assessments before August 1 following the end of each fiscal year could preclude the City from commencing Superior Court foreclosure proceedings to collect delinquent Assessments before that date. The City has covenanted,

however, that under certain circumstances it will commence such foreclosure proceedings by October 1 following the close of the fiscal year in which the delinquent Assessments were due. See “Covenant for Superior Court Foreclosure” herein.

To the extent that the County carries out the Teeter Plan as adopted, that sufficient funds exist to finance the Teeter Plan and that the Teeter Plan continues in existence, the County’s Teeter Plan may help protect Bond Owners from the risk of delinquencies in the payment of the Assessment installments. However, no assurance can be given that the County will continue to include assessments and reassessments levied within assessment and reassessment districts in the Teeter Plan, and the County could decide to discontinue the inclusion of such assessments or reassessments in the Teeter Plan at any time, or to discontinue the Teeter Plan in its entirety. Furthermore, the County may elect to discontinue the Teeter Plan with respect to the City (or any other levying agency) if the delinquency rate in the Reassessment District in any year exceeds 3% of the total Assessments collected by the City in such year. The County has never discontinued the Teeter Plan with respect to any levying agency. The City was not required by law to participate in the Teeter Plan with respect to the Reassessment District and could withdraw at any time with the consent of the County.

METHOD OF REASSESSMENT

The amount of the Assessment was calculated for each of the individual parcels of land securing an issue, series or group of Refunded Bonds and reduced proportionally among those parcels securing such issue, series or group of Refunded Bonds.

THE REASSESSMENT DISTRICT

General

The Reassessment District consists of a portion of the parcels within Assessment District Nos. 00-18, 87-8 and 93-14 and all of the parcels in Reassessment District Nos. 99-1 and 99-2, the assessments and reassessments on which secure the Refunded Bonds.

The Reassessment District

The Reassessment District is comprised of approximately 3,864 assessed parcels. For the location of the Reassessment District within the City, see “APPENDIX E—REASSESSMENT DISTRICT BOUNDARY MAP.”

Table 2
City of Irvine
Reassessment District No. 11-2
Description of Refunded Bonds

Prior Assessment District No.	Number of Parcels	Amount of Prior Assessment Lien	% of Total Assessment Lien ⁽¹⁾	Final Payment Date
0-18G3	1,156	\$20,650,000	58.89%	2026
87-8G5	19	2,410,000	6.78	2024
93-14G1	18	1,430,000	4.06	2025
99-1	1	220,000	0.49	2015
99-2	2,670	15,543,000 ⁽²⁾	29.78	2022
Total	3,864	\$40,253,000	100.00%	

(1) Represents total amount of the Assessments in the Reassessment District.

(2) The outstanding principal amount to be refunded is net of approximately \$10 million in surplus construction funds on deposit with respect to this Reassessment District No. 99-2 that will be used to redeem Series A Authority Bonds on March 2, 2012.

Source: Willdan Financial Services.

The property within the Reassessment District is primarily residential.

The Assessments are levied within the Reassessment District by the City Council of the City (the “City Council”) under the proceedings taken pursuant to Resolution No. [11-76], adopted by the City Council on November 22, 2011.

Status of Public Improvements

[The public improvements financed with the proceeds of the Refunded Bonds are substantially complete. Additionally, all in-tract improvements to the developed property within the Reassessment District are substantially complete.]

Land Uses and Development Status

The following Table 3 illustrates the land use categories of the parcels in the Reassessment District. As used in Table 3, the term “developed” means that a completed structure has been built on such parcel, as evidenced by the issuance by the City of a certificate of occupancy for such structure. The developed portion of the Reassessment District represents over 99% of the unpaid Assessments. The information in Table 3 reflects the County’s 2011-12 property ownership records. Undeveloped property consists of one residential parcel [currently improved as a finished lot].

Table 3
City of Irvine
Reassessment District No. 11-2
Parcel Totals For Each Modified Land Use

	Total Parcels	Total Value	Assessment Amount	Value-to-Lien ⁽¹⁾	Percent of Total Assessment
Developed Residential	3,748	\$2,379,335,181	\$32,903,957	72.31	87.27%

	<u>Total Parcels</u>	<u>Total Value</u>	<u>Assessment Amount</u>	<u>Value- to-Lien⁽¹⁾</u>	<u>Percent of Total Assessment</u>
Developed Commercial	26	48,098,400	2,616,154	18.39	6.94
Developed Industrial	89	182,512,667	2,117,750	86.18	5.62
Undeveloped Residential	1	985,000	67,138	14.67	0.17
TOTALS	3,864	\$2,610,931,248	\$37,705,000	69.25	100.00%

(1) The value to lien is based on the reassessment amount and does not include overlapping debt.

Source: Orange County Fiscal Year 2011-12 Secured Property Roll, as compiled by Willdan Financial Services.

Largest Landowners by Assessment Amount

The following Table 4 illustrates the largest landowners in the Reassessment District with over 1% of the remaining total Assessments, as measured by the total Assessment levied on property owned by such landowner. All other property owners have less than 1% of the remaining total Assessments. The information in Table 4 reflects the County's 2011-12 property ownership records.

Table 4
City of Irvine
Reassessment District No. 11-2
Owners With Percent of Total of Remaining Assessment Amount Greater than 1%

Property Owner	Total Parcels	Total Assessed Value	Remaining Assessment	Value- to-Lien ⁽¹⁾	% of Total Remaining Assessment	Land Use	Assessment District	Final Assessment Payment Year
Avant Garde Properties LLC	1	\$ 6,286,150	\$644,601	9.75	1.71%	Developed Industrial	AD 87-8G5	2024
M & G Prop LLC	1	5,650,000	438,517	12.88	1.16	Developed Industrial	AD 87-8G5	2024
Remaining Property Owners	3,862	2,598,995,098	36,621,882	70.97	97.13	Varies	Various	Varies
TOTAL	3,864	\$2,610,931,248	\$37,705,000	69.25	100.00%			

(1) The value to lien is based on the reassessment amount and does not include overlapping debt.
Source: Orange County Fiscal Year 2011-12 Secured Property Roll, as compiled by Willdan Financial Services.

Debt Service Coverage

The following Table 5 illustrates the estimated coverage for debt service on the Bonds from Revenues, consisting of the debt service on the Assessment Bonds.

Table 5
City of Irvine
Reassessment District No. 11-2
Estimated Debt Service Coverage from Revenues*

Bond Year	Assessment Bond Revenues		Total Revenues	Bond Debt Service	Series A Bond Coverage
	Principal	Interest			
2012	\$ 3,095,000	\$ 966,599	\$ 4,061,599	\$ 4,026,668	101%
2013	2,760,000	1,305,709	4,065,709	4,020,802	101
2014	2,810,000	1,252,165	4,062,165	4,025,846	101
2015	2,870,000	1,186,411	4,056,411	4,018,634	101
2016	2,915,000	1,108,634	4,023,634	3,994,588	101
2017	3,010,000	1,017,103	4,027,103	3,991,696	101
2018	2,825,000	914,763	3,739,763	3,713,433	101
2019	2,490,000	809,673	3,299,673	3,277,015	101
2020	2,600,000	710,322	3,310,322	3,290,901	101
2021	2,280,000	600,342	2,880,342	2,864,301	101
2022	2,035,000	500,022	2,535,022	2,521,945	101
2023	2,020,000	407,023	2,427,023	2,421,591	100
2024	2,120,000	310,063	2,430,063	2,417,024	101
2025	1,960,000	203,215	2,163,215	2,158,177	100
2026	1,915,000	101,687	2,016,687	2,014,197	100
Totals:	\$37,705,000	\$11,393,729	\$49,098,729	\$48,756,816	

Source: Willdan Financial Services and Piper Jaffray & Co.

* Includes debt service on Assessment Bonds. Preliminary, subject to change.

Property Tax and Assessment Payment Delinquency Status

The City reports that according to County records, as of November 3, 2011, owners of 20 of the taxable parcels of property in the Reassessment District were delinquent in their respective regular property tax payments for Fiscal Year 2010-11, representing a delinquency of .43%. Table 6 below summarizes prior year delinquencies in the payment of assessments by owners of real property on which assessments and reassessments securing the Refunded Bonds were levied from Fiscal Year 2006-07 through 2010-11.

**Table 6
City of Irvine
Reassessment District No. 11-2
Fiscal Year End Summary of Delinquent Assessments**

Fiscal Year	No. of Parcels Levied	No of Parcels Delinquent⁽¹⁾	Annual Assessment	Assessment Delinquent⁽²⁾	Percent Delinquent	As of Date
2006-07	3,888	1	\$7,289,000	\$ 1,431	0.02%	
2007-08	3,888	3	7,049,000	3,252	0.05	
2008-09	3,888	10	7,188,000	14,539	0.20	
2009-10	3,888	13	7,291,000	18,031	0.25	
2010-11	3,888	91	6,226,667	90,998	1.46	

(1) The number of parcels delinquent as of _____.

(2) Amount does not include any penalties, interest or fees.

Source: Orange County Tax Collector’s Office, as compiled by Willdan Financial Services.

**Table 7
City of Irvine
Reassessment District No. 11-2
Current Summary of Delinquent Assessments**

Fiscal Year	Number of Parcels Levied	Number of Parcels Delinquent⁽¹⁾	Annual Assessment	Assessments Delinquent⁽²⁾	Percent Delinquent
2006-07	3,888	1	\$7,289,000	1,431	0.02%
2007-08	3,888	3	7,049,000	3,252	0.05
2008-09	3,888	7	7,188,000	10,150	0.14
2009-10	3,888	7	7,291,000	12,930	0.18
2010-11	3,888	20	6,226,667	26,902	0.43

(1) The number of parcels delinquent as of November 3, 2011.

(2) Amount delinquent as of November 3, 2011. Amount does not include any penalties, interest or fees.

Source: Orange County Tax Collector’s Office, as compiled by Willdan Financial Services.

The risk of delinquencies in the payment of Assessment installments may be reduced by the existence and implementation of the County’s Teeter Plan. See “SECURITY FOR THE BONDS—Teeter Plan” herein for a detailed discussion of the County’s Teeter Plan.

Estimated Value-to-Lien Ratios

According to the County’s 2011-12 property ownership records, there were 3,864 parcels in the Reassessment District, all but one of which is developed. As shown above, more than 85%* of the parcels

located in the Reassessment District have a value-to-lien ratio of not less than 30 to 1.* In the aggregate, the parcels that comprise the Reassessment District have a total 2011-12 assessed value of \$2,610,931,248. Total reassessments equal \$37,705,000. This provides an overall value-to-lien ratio of approximately 69.25* to 1 (not including other outstanding public indebtedness applicable to taxable property in the Reassessment District) and approximately 24.5* times the sum of the principal amount of the Bonds, plus the amount of all the other outstanding public indebtedness allocable thereto, under the assumptions described in Table 9.

The \$37,705,000* principal amount of Bonds constitutes direct debt for the taxable property in the Reassessment District. As set forth in Table 9 under “THE REASSESSMENT DISTRICT—Direct and Overlapping Debt” below, there is approximately \$116.4 million of other outstanding public indebtedness applicable to taxable property in the Reassessment District. Thus, the estimated direct and overlapping debt allocable to the taxable property in the Reassessment District is approximately \$106.4 million.*

The following tables illustrate the breakdown, by category of value-to-lien range, of the total number of property uses among the 3,864 parcels and the corresponding total Assessment amounts attributable thereto and value-to-lien by ownership. No property owner represents more than 1.71% of the annual Assessment installment.

**Table 8
City of Irvine
Reassessment District No. 11-2
Value to Lien Ratios**

Value to Lien	Number of Parcels	2011-12 Total Assessed Value	Assessment Lien	Percent of Assessment Lien
50.00:1 and Over	3,008	\$1,967,121,303	\$19,267,248	51.10%
40.00:1 to 49.99:1	500	394,827,465	8,569,204	22.72
30.00:1 to 39.99:1	239	161,377,441	4,533,550	12.02
20.00:1 to 29.99:1	73	32,725,825	1,183,004	3.14
10.00:1 to 19.99:1	39	41,614,695	2,716,804	7.21
Less than 10.00:1	5	13,264,519	1,435,190	3.81
Total	3,864	\$2,610,931,248	\$37,705,000	100.00%

Source: Orange County Fiscal Year 2011-12 Secured Property Roll, as compiled by Willdan Financial Services.

Neither the value-to-lien calculations nor the total reassessment amounts include parity obligations for the overlapping districts listed in Table 9 or for general property taxes. See “Direct and Overlapping Debt” herein.

Direct and Overlapping Debt

Estimated Debt

Contained within the Reassessment District are numerous overlapping local agencies providing public services. Some of such local agencies have outstanding bonds issued in the form of general obligation, special tax and special assessment bonds including the Irvine Ranch Water District, the Municipal Water District of Orange County, The Metropolitan Water District of Southern California, and others. Additional indebtedness could be authorized by the City or other public agencies at any time.

* Preliminary, subject to change.

Set forth in Table 9 is the existing authorized indebtedness payable from taxes and assessments that may be levied on property within the Reassessment District. No additional Assessment Bonds of an issue can be issued upon the security of the unpaid Assessments levied within the Reassessment District. However, other public agencies may issue additional indebtedness on property within the Reassessment District at any time. See “SECURITY FOR THE BONDS—Priority of Lien.”

**Table 9
City of Irvine
Reassessment District
Direct and Overlapping Debt**

2011-12 Local Secured Assessed Valuations: \$2,610,103,560

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt (12/1/11)</u>
Metropolitan Water District of Southern California	0.145%	\$325,987
Saddleback Valley Unified School District	0.052	68,601
Irvine Ranch Water District, I.D. No. 105	4.707	6,092,428
Irvine Ranch Water District, I.D. No. 121	10.878	2,198,199
Irvine Ranch Water District, I.D. No. 130	5.358	910,985
Irvine Ranch Water District, I.D. No. 161	17.661	2,058,268
Irvine Ranch Water District, I.D. No. 221	10.956	2,355,170
Irvine Ranch Water District, I.D. No. 230	5.358	2,029,990
Irvine Ranch Water District, I.D. No. 250	4.952	7,735,087
Irvine Ranch Water District, I.D. No. 261	17.023	4,435,566
Irvine Unified School District Community Facilities District No. 86-1	8.519	9,044,927
Irvine Unified School District Community Facilities District No. 01-1	24.811	24,889,048
Irvine Unified School District Community Facilities District No. 97-1	4.119	4,023,137
City of Irvine Reassessment District 1999A	100.000	25,778,000 ⁽¹⁾
City of Irvine Reassessment District 87-8, Group 5	100.000	2,410,000 ⁽¹⁾
City of Irvine Reassessment District 93-14, Group 1	100.000	1,430,000 ⁽¹⁾
City of Irvine Reassessment District 00-18, Group 3	100.000	20,650,000 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$116,435,393</u>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Orange County General Fund Obligations	0.692%	\$1,815,643
Orange County Pension Obligations	0.692	328,876
Orange County Board of Education Certificates of Participation	0.692	131,480
Tustin Unified School District Certificates of Participation	0.711	35,586
Irvine Ranch Water District Certificates of Participation	4.362	3,550,668
Municipal Water District of Orange County Water Facilities Corporation	0.819	99,468
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		<u>\$5,961,721</u>
Less: MWDOC Water Facilities Corporation (100% self-supporting by revenue funds)		<u>99,468</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>\$5,862,253</u>
GROSS COMBINED TOTAL DEBT		\$122,397,114 ⁽²⁾
NET COMBINED TOTAL DEBT		\$122,297,646

(1) Excludes Bonds to be sold. [The City anticipates that the Bonds issued to refund these Refunded Bonds will be issued in a principal amount of approximately \$37 million in consideration of approximately \$10 million in surplus construction funds on deposit with respect to Reassessment District No. 99-2 that will be used to redeem Series A Authority Bonds on March 2, 2012.]

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation

Direct Debt (\$50,268,000)	1.93%
Total Direct and Overlapping Tax and Assessment Debt	4.46%
Gross Combined Total Debt	4.69%
Net Combined Total Debt.....	4.69%

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

Source: California Municipal Statistics, Inc.

Community Facilities District No. 86-1

[Community Facilities District No. 86-1 of the Irvine Unified School District (“CFD No. 86-1”), which includes a portion of the Reassessment District, has authorized the issuance of bonded debt in the amount of \$150,000,000 (the “CFD No. 86-1 Mello-Roos Bonds”), and the levy of special taxes against the property in CFD No. 86-1 to pay for debt service on the CFD No. 86-1 Mello-Roos Bonds, for certain costs of providing school facilities and sites, and for related incidental expenses. CFD No. 86-1 has issued \$97,525,000 of the CFD No. 86-1 Mello-Roos Bonds pursuant to such authorization.] The Reassessment District’s share of outstanding CFD No. 86-1 Mello-Roos Bonds is approximately \$9 million.

The City cannot predict the extent to which CFD No. 86-1 will issue its authorized but currently unissued debt, the timing of any such issuance or the effect that the issuance of any such debt may have on the ratio of the total direct and overlapping debt to the appraised value of the parcels within the Reassessment District at the time the debt is issued.

Community Facilities District No. 01-1

[Community Facilities District No. 01-1 of the Irvine Unified School District (“CFD No. 01-1”), which includes a portion of the Reassessment District, has authorized the issuance of bonded debt in the amount of \$_____ (the “CFD No. 01-1 Mello-Roos Bonds”), and the levy of special taxes against the property in CFD No. 01-1 to pay for debt service on the CFD No. 01-1 Mello-Roos Bonds, for certain costs of providing school facilities and sites, and for related incidental expenses. CFD No. 01-1 has issued \$_____ of the CFD No. 01-1 Mello-Roos Bonds pursuant to such authorization.] The Reassessment District’s share of outstanding CFD No. 01-1 Mello-Roos Bonds is approximately \$24.8 million.

The City cannot predict the extent to which CFD No. 01-1 will issue its authorized but currently unissued debt, the timing of any such issuance or the effect that the issuance of any such debt may have on the ratio of the total direct and overlapping debt to the appraised value of the parcels within the Reassessment District at the time the debt is issued.

Community Facilities District No. 97-1

[Community Facilities District No. 97-1 of the Tustin Unified School District (“CFD No. 97-1”), which includes a portion of the Reassessment District, has authorized the issuance of bonded debt in the amount of \$110,000,000 (the “CFD No. 97-1 Mello-Roos Obligations”), and the levy of special taxes against the property in CFD No. 97-1 to pay for debt service on the CFD No. 97-1 Mello-Roos Obligations, for certain costs of providing school facilities and sites, and for related incidental expenses.] The Reassessment District’s share of outstanding CFD No. 97-1 Mello-Roos Obligations is approximately \$4 million.

[Approximately _____ lots containing single family residences that are within the boundaries of the Reassessment District are also within the boundaries of CFD No. 97-1. The Authority is informed that CFD No. 97-1 issued \$101,787,674.90 of special tax bonds (the “CFD No. 97-1 Bonds”) in October 1998. Because the CFD No. 97-1 Bonds were not publicly sold, they are not reflected in Table 9.]

[Residential property within CFD No. 97-1 for which a building permit has been issued as of July 1 of the applicable fiscal year is, for purposes of the special tax formula, determined to be developed property. Developed property will be subject to the CFD No. 97-1 special tax levy whether or not the proceeds of such levy are required to pay debt service on CFD No. 97-1 Mello-Roos Obligations. All of the property within the Reassessment District within the boundaries of CFD No. 97-1 currently constitutes developed residential property for purposes of CFD No. 97-1. The special tax on developed

property within CFD No. 97-1 is a function of the density of the development. The special tax generally is \$1,220 per unit for a single family detached unit with a lot size equal to or greater than 4,300 square feet, \$816 per unit for a single family detached unit with a lot size less than 4,300 square feet, \$436 per unit for single family attached unit, and \$638 per unit for multifamily property. Other developed property is subject to a special tax of \$4,694 per acre. All of the foregoing amounts escalate at 2% each year commencing July 1, 2012.]

The City cannot predict the extent to which CFD No. 97-1 will issue its authorized but currently unissued debt, the timing of any such issuance or the effect that the issuance of any such debt may have on the ratio of the total direct and overlapping debt to the value of the parcels within the Reassessment District at the time the debt is issued.

Irvine Ranch Water District

The Irvine Ranch Water District (“IRWD”) has created 8 improvement districts, I.D. Nos. 105, 121, 130, 161, 221, 230, 250 and 261 (the “IRWD Improvement Districts”), that overlap the Reassessment District. IRWD has sold bonds on behalf of the IRWD Improvement Districts to provide regional and local water supply, reclaimed water supply, storage, transmission and distribution facilities and sewage collection, treatment and disposal facilities to serve residential and commercial development in such improvement districts. The IRWD Improvement Districts have an aggregate total of approximately \$___ million in outstanding bonded indebtedness as of June 30, 2010 and a total of approximately \$___ million in authorized but unissued bonded indebtedness. The IRWD Improvement Districts bonds are general obligation bonds payable from ad valorem taxes; the amount of the tax levy on each lot is based on the assessed valuation of the land (exclusive of improvements) constituting such lot. Because property is reassessed upon the conveyance to a new owner (upon conveyance, for example, from a master developer to a merchant builder and from a merchant builder to an individual homeowner), because there have been or will be many such conveyances within the IRWD Improvement Districts and because there is a significant lapse of time between the date on which the assessed value resulting therefrom is reflected on the County tax rolls, there is no reliable method for determining precisely the share of the outstanding or authorized but unissued bonded debt of the IRWD Improvement Districts allocable to the Reassessment District. As to each improvement district, the portion applicable to taxable property in the Reassessment District is shown in Table 9 above. Historically, IRWD has levied ad valorem taxes at rates substantially below those that would generate sufficient amounts to pay debt service on the IRWD Improvement Districts bonds in full; the difference has been paid from rates and charges collected by IRWD for water and sewer service. However, there can be no assurance that IRWD will continue such practice.

The Reassessment District’s share of outstanding debt of the IRWD Improvement Districts is approximately \$27.8 million. The Reassessment District’s share of the authorized but unissued debt of the IRWD Improvement Districts is approximately \$____. The IRWD Improvement District’s Bonds are general obligation bonds payable from ad valorem taxes; the amount of the tax levy on each parcel is based on the assessed valuation of the land only and not the improvements thereon.]

The City cannot predict the amount of authorized but unissued bonds for the IRWD Improvement Districts that will ultimately be issued by IRWD, nor can it predict when such debt would be issued or the debt service payments thereon.

Irvine Unified School District

[On August 7, 2001, the Board of Education of the Irvine Unified School District established CFD No. 01-1, authorized the levy of special taxes therein and authorized the incurrence of bonded

indebtedness thereby. The boundaries of CFD No. 01-1 overlap the Reassessment District. On June 12, 2003, CFD No. 01-1 issued \$92,500,000 principal amount of Adjustable Rate Special Tax Bonds, Series 2003. Of this amount, approximately ___% or \$___ million is allocable to taxable property in the Reassessment District. The authorized indebtedness for CFD No. 01-1 is \$105,000,000, with a total of approximately \$12,500,000 in authorized but unissued bonded indebtedness. The maximum authorized special tax for the Reassessment District varies from [\$1,035 per subdivided lot to \$2,960] per subdivided lot, subject to annual increase as provided in the Rate and Method of Apportionment of Special Tax, provided, among other things, that building permits have been issued for such lots. The City cannot predict the amount of additional bonds for CFD No. 01-1 that may ultimately be issued, nor can it predict when such debt would be issued or the debt service payments thereon.]

[The Reassessment District's share of outstanding debt of CFD No. 01-1 is approximately \$____. The Reassessment District's share of the authorized but unissued debt of CFD No. 01-1 is approximately \$____. CFD No. 01-1's Bonds are Mello-Roos special tax bonds payable from special taxes levied in CFD No. 01-1.]

The City cannot predict the amount or timing of future bond issues by IRWD, CFD No. 01-1 or any other public entity or the effect that the issuance of any additional debt may have on the ratio of the total direct and overlapping debt to the assessed value of any parcel of the assessable property within the Reassessment District at the time the debt is issued.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority (other than the balance in certain funds and accounts established under the Indenture) is material to any decision to purchase, hold or sell the Bonds, and the Authority will not provide any such information. The City has undertaken all responsibilities for any continuing disclosure to Bond Owners as described below, and the Authority shall have no liability to the Owners of the Bonds or any other person with respect to such disclosure.

The City has covenanted for the benefit of holders and beneficial owners of the Bonds (1) to provide certain financial information and operating data (the "Annual Report") relating to the City and the property in the Reassessment District not later than eight (8) months after the end of the City's Fiscal Year (which currently would be March 1), commencing with the report for the 2010-11 Fiscal Year, and (2) to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by Willdan Financial Services, as dissemination agent (the "Dissemination Agent") on behalf of the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (the "EMMA System"), for purposes of Rule 15c2-12(b)(5) (the "Rule") adopted by the U.S. Securities and Exchange Commission ("SEC"). The notices of enumerated events will be filed by the Dissemination Agent on behalf of the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX C – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The City has not previously failed to comply in all material respects with any previous undertakings with respect to said rule to provide annual reports or notices of enumerated events.

SPECIAL RISK FACTORS

The following information should be considered by prospective investors in evaluating the Bonds. However, it does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is

presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the Bonds or both.

The Bonds are Limited Obligations of the Authority

Funds for the payment of the principal of and the interest on the Bonds are derived from debt service payments on the Assessment Bonds which are derived only from annual Assessment installments. While a modest coverage factor has been established in structuring the annual debt service on the Assessment Bonds (see “THE REASSESSMENT DISTRICT—Debt Service Coverage—Table 5” herein), the amount of annual Assessment installments that are collected by the City could be insufficient to pay principal of and interest on the Assessment Bonds due to non-payment of such annual Assessment installments levied or due to insufficient proceeds received from a judicial foreclosure sale of land within the Reassessment District following delinquency. The City’s legal obligations with respect to any delinquent Assessment installments are limited to (1) payments from the Assessment Reserve Fund for the Assessment Bonds (depending on the location of the delinquent parcel) to the extent of funds on deposit therein, and (2) the institution of judicial foreclosure proceedings with respect to any parcels for which the Assessment installment is delinquent (see “SECURITY FOR THE BONDS—Covenant for Superior Court Foreclosure” herein). The City has determined that it will not obligate itself to advance funds from its treasury to cover any delinquency on the Assessments or payments on the Assessment Bonds. The Bonds cannot be accelerated in the event of any default.

The Assessments are Not Personal Obligations of the Property Owners

Under the provisions of the Act, Assessment installments will be billed to the owner of each parcel in the Reassessment District against which there is an unpaid Assessment, such billing to be made on the regular property tax bills sent to such owners. Such Assessment installments are due and payable at the same time and bear the same late charges and penalties as for non-payment of regular property tax installments.

The obligation to pay Assessment installments does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to the Assessment liens. Enforcement of Assessment payment obligations by the City is limited to judicial foreclosure in the Orange County Superior Court pursuant to Sections 8830 *et seq.* of the California Streets and Highways Code. There is no assurance that any current or subsequent owner of a parcel subject to an assessment lien will be able to pay the Assessment installments or that such owner will choose to pay such installments even though financially able to do so.

The Assessment Bonds are Limited Obligations of the City

The obligation of the City, as issuer of the Assessment Bonds, to advance the amount of delinquencies to the Trustee, as the registered holder of the Assessment Bonds, is strictly limited to funds on deposit in the Assessment Reserve Fund for the Assessment Bonds established and held by the City pursuant to the Fiscal Agent Agreement. Pursuant to Section 8769 of the California Streets and Highways Code, the City has expressly elected not to obligate itself to advance available funds from the City’s treasury to make up deficiencies in the amount of Assessment installments collected.

Sustained failure by property owners to pay Assessment installments when due, combined with depletion of the Assessment Reserve Fund for the Assessment Bonds, and the inability of the City to sell parcels which have become subject to judicial foreclosure proceedings for amounts sufficient to cover the delinquent Assessment installments, will most likely result in the inability of the City to make full or

punctual payments of interest on or principal of any of the Assessment Bonds, which could result in a default on the Bonds.

Risks of Real Estate Secured Investments Generally

The Owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Reassessment District, the supply of or demand for competitive properties in such area, and the market value of property in the event of sale or foreclosure, (ii) changes in real estate tax rate and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies, and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

Foreclosure Shortfall

Pursuant to the Act, if a parcel which is included within the Reassessment District is foreclosed upon and cannot be sold at the foreclosure sale at a price equal to the amount of the judgment for delinquent Assessment installments with costs and interest thereon, the City may petition a court to authorize the sale of such parcel at a lesser Minimum Price or without a Minimum Price. “Minimum Price” as used in the Act is the amount equal to the delinquent installments of principal or interest of the assessment or reassessment, together with all interest penalties, costs fees, charges and other amounts more fully defined in the Act. The court may authorize a sale at less than the Minimum Price if it will not result in an ultimate loss to the Bond Owners or, under certain circumstances, if owners of 75% or more of the outstanding bonds consent to such sale. Any such sale would produce a shortfall in the aggregate Assessment installments payable with respect to such parcel and, absent payments from the County’s Teeter Plan, and sufficient amounts on deposit in the Assessment Reserve Fund, could ultimately result in a default in the payment of principal on the Bonds. In any event, the City may not need to institute foreclosure proceedings so long as the County’s Teeter Plan is in existence and such Teeter Plan continues to provide the City with full tax and assessment levies instead of actual tax collections. See “SECURITY FOR THE BONDS—Teeter Plan.”

In comparing the aggregate value of real property within the Reassessment District and the principal amount of the Bonds and the Assessment Bonds, it should be noted that only parcels upon which there is a delinquent Assessment can be foreclosed, and the other parcels within the Reassessment District cannot be foreclosed upon as a whole to pay delinquent Assessments of the owners of such delinquent parcels. In any event, individual parcels may be foreclosed upon to pay delinquent installments of the Assessments levied only against such parcels.

Nonavailability of City Funds

If a delinquency occurs in the payment of any Assessment installment, the Fiscal Agent is required to transfer the amount of such delinquent installment from the Assessment Reserve Fund to the Redemption Fund. If the Assessment Reserve Fund is depleted and if there are additional delinquencies, the City is not required to transfer into the Redemption Fund the amount of the delinquency out of any other moneys of the City. The Reassessment District is included in the County’s Teeter Plan. If the County’s Teeter Plan is terminated (or if the County fails to make payments to the City when due under the Teeter Plan), the failure of any owners to pay Assessment installments in a timely manner could result in the unavailability of money to pay the principal of and interest on the Assessment Bonds and, accordingly, debt service on the Bonds as and when due. See “SECURITY FOR THE BONDS—Teeter Plan.”

Bankruptcy and Foreclosure Delays

The payment of the Assessment installments and the ability of the City to foreclose the lien of a delinquent unpaid Assessment installment, as discussed under the caption “SECURITY FOR THE BONDS—Covenant for Superior Court Foreclosure,” may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars, delays in the legal process and procedural delaying tactics. So long as the Reassessment District is included in the County’s Teeter Plan and the City is paid under the Teeter Plan for all Assessments levied therein, the proceeds of any foreclosure sale of a taxable parcel of property in the Reassessment District will be paid to the County’s Teeter Plan and not to the City.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the lien of the Assessments to become extinguished, the bankruptcy of a property owner or of a partner or other equity owner of a property owner, could result in the stay of the enforcement of the lien for the Assessments, a delay in prosecuting Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Assessment installments, and could result in the possibility of delinquent Assessment installments not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Assessment installments could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Assessment installments in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien, or any such delay or non-payment would increase the likelihood of a delay or default in payment of the principal of and interest on the Assessment Bonds and, accordingly, debt service on the Bonds as and when due and the possibility of delinquent Assessment installments not being paid in full.

Teeter Plan Termination

In 1993, the County implemented its Teeter Plan, as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the Reassessment District, with full tax and assessment levies instead of actual tax and assessment collections. In return the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County’s Teeter Plan may help protect Owners of the Bonds from the risk of delinquencies in the payment of Assessment installments. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. The City was not required by law to participate in the Teeter Plan with respect to the Reassessment District and could withdraw at any time with the consent of the County. A termination of the Teeter Plan with respect to the Reassessment District would eliminate such protection from delinquent Assessment installments. See “SECURITY FOR THE BONDS—Teeter Plan.”

FDIC/Federal Government Interests in Properties

The City’s ability to enforce the lien of an Assessment installment and to foreclose the lien of a delinquent Assessment installment, is limited with regard to properties in which the Internal Revenue

Service, the Drug Enforcement Agency, Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal government agencies has or obtains an interest.

Specifically, with respect to the FDIC, in the event that any financial institution making a loan which is secured by a parcel in the Reassessment District is taken over by the FDIC and the Assessment installment is not paid, the remedies available to the City may be constrained. The FDIC’s December 10, 1996 Policy Statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes, such as the Assessment installments, which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to lots on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed upon by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes or assessments.

With respect to property in California owned by the FDIC on January 9, 1997 and that was owned by the Resolution Trust Corporation (“RTC”) on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC’s prior practice of paying special taxes imposed pursuant to the Act if the taxes were imposed prior to the RTC’s acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The City is unable to predict what effect the FDIC’s application of the Policy Statement would have in the event of a delinquency on a parcel within the Reassessment District in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the Reassessment District will be unable to foreclose on any parcel owned by the FDIC. As of January 1, 2011, no property in the Reassessment District was owned by the FDIC.

Price Realized Upon Foreclosure

Section 8832 of the Streets and Highways Code prescribes the minimum price (the “Minimum Price”) at which property may be sold in a judicial foreclosure resulting from delinquencies on assessment installments. The Minimum Price is the amount equal to the delinquent installments of principal and interest of the assessment, together with all interest, penalties, costs, fees, charges and other amounts more fully detailed in said Section 8832. However, Section 8836 of the Streets and Highways Code provides that the court may authorize a sale at less than the Minimum Price if the court makes certain determinations, based on the evidence introduced at the required hearing, which evidence must establish that no ultimate loss will result to the Bond Owners or that no other remedy is acceptable and at least 75% of the [Bond Owners’ consent].

The Assessment lien upon property sold pursuant to this procedure at a lesser price than the Minimum Price would be reduced by the difference between the Minimum Price and the actual sale price. In addition, the court would permit participation by the Authority, as owner of all of the Assessment Bonds, in its consideration of the petition as necessary to its determination. Reference should be made to Section 8836 for the complete presentation of this provision.

If foreclosure proceedings do not result in full collection of delinquent Assessments, it is possible that owners of the Bonds may not receive payment of principal of or interest on the Bonds.

In any event, the City may not need to institute foreclosure proceedings so long as the County's Teeter Plan is in existence and such Teeter Plan continues to provide the City with full tax and assessment levies instead of actual tax collections. See "SECURITY FOR THE BONDS—Teeter Plan" for a detailed discussion of the County's Teeter Plan.

Direct and Overlapping Indebtedness

The ability or willingness of an owner of land within the Reassessment District to pay Assessment installments could be affected by the imposition of other taxes and assessments imposed upon the land. In addition, other public agencies whose boundaries overlap those of the Reassessment District could, without the consent of the City or the Authority, and in certain cases without the consent of the owners of the land within the Reassessment District, impose additional taxes or assessment liens on the property within the Reassessment District to finance public improvements or services to be located or provided inside of or outside of the Reassessment District. A statement of direct and overlapping indebtedness on land within the Reassessment District is included herein under the heading "THE REASSESSMENT DISTRICT—Direct and Overlapping Debt" herein.

Earthquakes

The Reassessment District is located in a seismically active area of Southern California and is subject to unpredictable seismic activity. There is no evidence that a ground surface rupture will occur in the event of an earthquake, but there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. Known active faults that could cause significant ground shaking in the Reassessment District include, but are not limited to, the San Andreas Fault. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure in the Reassessment District. As a result, a substantial portion of the property owners may be unable or unwilling to pay their Assessments installments when due. In addition, the value of land in the Reassessment District could be diminished in the aftermath of such an earthquake, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of their Assessments installments.

Land Values

The value of land within the Reassessment District is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of an Assessment installment, the City's only remedy is to judicially foreclose on that property. Prospective purchasers of the Bonds should not assume that the property within the Reassessment District could be sold for the assessed value described herein at a foreclosure sale for delinquent Assessment installments or for an amount adequate to pay delinquent Assessment installments.

The property values set forth in the various tables herein are the property values determined by the County Assessor for property tax purposes. These assessed value determinations may be subject to an appeal by the property owner. Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. At the time of filing, applicants are required to estimate an opinion of value. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner. Any reduction in assessed taxable values

of property within the Reassessment District would have an adverse impact on the value-to-lien ratios discussed in the tables herein.

The actual market value of the property is subject to future events such as downturn in the economy, occurrences such as earthquakes, droughts or floods or other events, all of which could adversely impact the value of the land in the Reassessment District which is the security for the Assessment Bonds, which secure the Bonds. As discussed herein, many factors could adversely affect property values or prevent or delay land development within the Reassessment District.

Hazardous Substances

One of the most serious risks in terms of the potential reduction in the value of a parcel within the Reassessment District is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel within the Reassessment District may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the assessable property within the Reassessment District be affected by a hazardous substance, will be to reduce the marketability and value of such parcel by the costs of remedying the condition, because the prospective purchaser, upon becoming owner, will become obligated to remedy the condition just as the seller is so obligated.

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

Neither the Authority nor the City has knowledge of any hazardous substances being located on the property within the Reassessment District.

Endangered Species

In recent years, there has been an increase in activity at the State and federal level related to the listing and possible listing of certain plant and animal species found in the State as endangered species. An increase in the number of endangered species is expected to curtail development in a number of areas. At present, the property within the Reassessment District is not known to be inhabited by any plant or animal species which either the California Fish and Game Commission or the United States Fish and Wildlife Service has listed as endangered or proposed for addition to the endangered species list. Notwithstanding this fact, new species are proposed to be added to the State and federal protected lists on a regular basis. Any action by the State or federal governments to protect additional species could negatively impact the ability to complete the development as planned. This, in turn, could reduce the likelihood of timely payment of the Assessment installments and would likely reduce the value of the land and the potential revenues available at a foreclosure sale for delinquent Assessments. See “SPECIAL RISK FACTORS—Land Values.”

Cumulative Burden of Parity Taxes, Special Assessments and Development Costs

The Assessments and any penalties with respect thereto constitute a lien against the assessable property within the Reassessment District until they are paid. The lien of the Assessments is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended. See “THE REASSESSMENT DISTRICT—Direct and Overlapping Debt” herein for a description of other special taxes or assessments secured by a lien on property within the Reassessment District. The City does not have control over the ability of other local government agencies to issue indebtedness secured by assessments or special taxes against all or a portion of the Reassessment District. In addition, the owners of taxable parcels of property in the Reassessment District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by assessments or special taxes. Any such assessments or special taxes may have a lien on such property on a parity with the Assessments.

Neither the City nor the Authority has control over the ability of other entities to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the Reassessment District. In addition, the owners of property within the Reassessment District may, without the consent or knowledge of the City or the Authority, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes may have a lien on such property on a parity with the lien of the Assessments.

California Constitution Article XIIC and Article XIID

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain, among other things, a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Under the Act, Section 9525(b) of the California Streets and Highways Code, the Assessments herein are not assessments within the meaning of, and may be ordered without compliance with the procedural requirements of, Article XIID of the California Constitution. In addition, under Section 10400 of the California Streets and Highways Code, any challenge (including any constitutional challenge) to the proceedings or the assessment must be brought within 30 days after the date the assessment was levied.

[Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the City under the Municipal Improvement Act of 1913 (the “1913 Act”) (including, if applicable, any increase in such assessment or any supplemental assessment under the Act) must be conducted in conformity with the provisions of Section 4 of Article XIID. Because the City completed its proceedings for the levy of assessments in all but one of the Prior Assessment Districts prior to July 1, 1997, the provisions of Section 4 of Article XIID do not apply to the unpaid Assessments which secure the Assessment Bonds. Additionally, Section 9525(b) of the California Streets and Highways Code makes clear that reassessments are not new assessments, and therefore, the provisions of Section 4 of Article XIID do not apply to the unpaid Assessments which secure the Assessment Bonds. In addition, under Section 10400 of the California Streets and Highways Code, any challenge (including any constitutional challenge) to the proceedings or the assessment must be brought within 30 days after the date the assessment was levied.]

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

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

Ballot Initiatives and Legislative Measures

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

No Acceleration

The Bonds do not contain a provision allowing for the acceleration of the Bonds or the Assessment Bonds in the event of a payment default or other default under the terms of the Bonds, the Assessment Bonds, the Indenture or the Fiscal Agent Agreement. There is no provision in the Act, the Indenture or the Fiscal Agent Agreement for acceleration of the Assessment installments in the event of a payment default by an owner of a taxable parcel of property in the Reassessment District or otherwise, or upon any adverse change in the tax status of interest on the Bonds or the Assessment Bonds. Pursuant to the Indenture, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND FISCAL AGENT AGREEMENT.”

IRS Audit of Tax-Exempt Bond Issues

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

Loss of Tax Exemption

As discussed under the caption “CONCLUDING INFORMATION - Tax Matters” herein, the interest on the Bonds could become includable in gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds, as a result of failure of the Authority or the City to comply with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain Outstanding to maturity or until redeemed under the optional or mandatory redemption provisions of the Indenture.

THE AUTHORITY

The Authority is an instrumentality of the City, duly organized and existing under the provisions of the City’s Charter, and is authorized pursuant to the Act to borrow money for the purpose of financing the acquisition and construction of the City’s Civic Center, operations support, animal services facilities, and other infrastructure improvements in the City. The Authority was formed on April 11, 1985, pursuant to an Ordinance of the City.

The Authority is governed by a Board of Directors, which is comprised of five members. The members of the City Council of the City constitute the members of the Board of Directors of the Authority, and the Mayor is its Chairperson. The Authority and the City are financially interdependent and are managed by the governing boards and employees of the City. Separate financial statements of the Authority are not available.

THE CITY

The City of Irvine, California is a charter city and municipal corporation organized and existing under and by virtue of the Constitution and the laws of the State and its Charter. The City was incorporated December 28, 1971, and adopted its Charter in 1975. The City is located in Orange County, approximately 40 miles southeast of Los Angeles.

The City operates under a Charter, Council-Manager form of government. The City Council is the governing body of the City, and each of the four City Council members is elected in an at-large election for alternating four-year terms and the Mayor is elected every two years. The City Council appoints the City Manager who is responsible for implementing City Council policy. The City provides the following services through City employees or by contract with the private sector: public safety, public works, community development, community services, refuse collection, road and public facility maintenance, street lighting, public improvements and general administrative services.

CONCLUDING INFORMATION

Underwriting

The Bonds are being purchased through negotiation of Piper Jaffray & Co. (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a discount of \$_____ from the principal amount thereof. Simultaneously with the purchase of the Bonds by the Underwriter, the Authority has agreed to purchase the Assessment Bonds from the City. The Underwriter’s obligation to purchase the Bonds is contingent upon the Authority’s purchase of the Assessment Bonds, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover hereof. The offering prices of the Bonds may be changed from time to time by the Underwriter.

The following two sentences have been provided by the Underwriter: The Underwriter and Pershing LLC, a subsidiary of the Bank of New York Mellon Corporation, entered into a distribution agreement (the “Distribution Agreement”) that enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the 2011 Bonds. Under the Distribution Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

Legal Opinion

The law firm of Rutan & Tucker, LLP has been engaged by the Authority as Bond Counsel in connection with the issuance and sale of the Bonds. In addition, Rutan & Tucker, LLP serves as City Attorney pursuant to an on-going contract with the City.

As Bond Counsel to the Authority, Rutan & Tucker, LLP will render its legal opinion, as described below, which addresses, among other matters, the legality and validity of the Bonds and the exclusion of interest thereon from gross income for federal income tax purposes. Notwithstanding Rutan & Tucker, LLP’s engagement by the City in any other capacity, such opinion of Rutan & Tucker, LLP as Bond Counsel is intended to be and is considered by Rutan & Tucker, LLP to be rendered objectively and without bias in favor of the City or any interests of the City. However, potential purchasers of the Bonds should be aware that the Authority will compensate Rutan & Tucker, LLP for its services as Bond Counsel contingent upon the successful issuance and sale of the Bonds and that the City has instructed and authorized Rutan & Tucker, LLP in its capacity as Bond Counsel and in its capacity as City Attorney to take all proper actions which Rutan & Tucker, LLP may take in such capacities to assist the City in completing the issuance and sale of the Bonds.

In no capacity has Rutan & Tucker, LLP advised the City to proceed with the issuance or sale of the Bonds; however, in its capacity as City Attorney and at the direction of the City, Rutan & Tucker, LLP has participated in the negotiation, drafting and review of documents and other aspects of the transaction with the City’s legal position of primary importance. In the ordinary course, neither Rutan & Tucker, LLP nor the City considers this role to entail any actual conflict with the interests of purchasers of the Bonds or to compromise the objectivity of Rutan & Tucker, LLP’s legal opinion as Bond Counsel as to any of the matters covered by its opinion. However, prospective purchasers of the Bonds and their advisors are encouraged to consider the possibility that in a default or other adverse situation involving the Bonds, the interests of the City and the interests of the owners of the Bonds are likely to be adverse, and that Rutan & Tucker, LLP, in its capacity as City Attorney, has negotiated, drafted and reviewed documents and other aspects of the transaction in light of such possibility.

The legality of the Bonds and certain other legal matters are subject to the approval of Bond Counsel. Bond Counsel will render an opinion with respect to the validity and enforceability of the Bonds and the Indenture, and a copy of such opinion will accompany each Bond. Such opinion will be subject to the various assumptions, exceptions and limitations stated therein. See “APPENDIX B—PROPOSED FORM OF BOND COUNSEL OPINION.” Certain legal matters will be passed upon for the Authority and the City by Rutan & Tucker, LLP, Costa Mesa, California, City Attorney, and by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California. The fees of Bond Counsel are contingent upon issuance of the Bonds.

Tax Matters

In the opinion of Rutan & Tucker, LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

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

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the City have covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Beneficial Owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained or referred to in the Indenture, the Fiscal Agent Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Rutan & Tucker, LLP.

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

Financial Advisor

Fieldman, Rolapp & Associates has acted as Financial Advisor solely to the City in connection with the issuance of the Bonds. The fees of the Financial Advisor are contingent upon issuance of the Bonds.

No Litigation

There is no action, suit, or proceeding pending or, to the best knowledge of the Authority, threatened at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof. A no litigation opinion rendered by the Authority Counsel will be required to be delivered to the Underwriter simultaneously with the delivery of the Bonds.

There is no action, suit, or proceeding pending or, to the best knowledge of the City, threatened at the present time in any way affecting the existence of the City or the titles of the officers to their respective offices, or seeking to restrain or to enjoin issuance, sale or delivery of the Bonds or the Assessment Bonds, or the application of the proceeds thereof, or the purchase of the Assessment Bonds pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or the collection or application of the Assessments to pay the principal of and interest on the Assessment Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Assessment Bonds or any action of the City contemplated with respect to the issuance or sale thereof. A no litigation opinion rendered by the City Attorney will be required to be delivered to the Underwriter simultaneously with the delivery of the Assessment Bonds.

Verification of Mathematical Computations

[Verification Agent] (the "Verification Agent"), an independent firm of certified public accountants, will deliver to the City its reports indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the City and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal amounts and the interest on the direct noncallable obligations of the United States of America deposited with the Escrow Agent to pay the interest, principal and redemption price coming due on the Refunded Bonds on and prior to their respective redemption dates as described in "THE PLAN OF FINANCE."

Rating

Standard & Poor’s Ratings Services [will] assign the rating of “_____” to the Bonds. Such rating reflects only the views of such organizations and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Miscellaneous

All of the preceding summaries of the Indenture, the Fiscal Agent Agreement, applicable legislation, agreements and other documents are made subject to the provisions of such documents and legislation 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 City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 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 execution and delivery of this Official Statement have been authorized by the members of the Board of Directors of the Authority and by the members of the City Council of the City.

**IRVINE PUBLIC FACILITIES AND
INFRASTRUCTURE AUTHORITY**

By: _____
Chairperson

CITY OF IRVINE

By: _____
City Manager

APPENDIX A

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
AND FISCAL AGENT AGREEMENT**

APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds, Rutan & Tucker, LLP, Bond Counsel to the Authority, proposes to render its approving opinion with respect thereto in substantially the following form:

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX D

BOOK-ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other Bonds-related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the Authority and the City each believes to be reliable, but the City does not take responsibility for the completeness or accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued 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 certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

NONE OF THE AUTHORITY, THE CITY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority. The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Bonds. The Authority and the City undertake no obligation to investigate matters that would enable the Authority and the City to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

THE AUTHORITY, THE CITY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE AUTHORITY, THE CITY AND THE UNDERWRITER ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR AN ERROR OR DELAY RELATING THERETO.

APPENDIX E

REASSESSMENT DISTRICT BOUNDARY MAP

[To be Attached]

APPENDIX F
ASSESSMENT ROLL
[To be Attached]