

RATINGS:

Series A Bonds Insured Rating: S&P: AAA
Series A Bonds Underlying Rating: S&P: BBB
Series B Bonds: NOT RATED
(See “RATINGS OF SERIES A BONDS.”)

In the opinion of Pillsbury Winthrop Shaw Pittman LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and 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 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. 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 “TAX MATTERS.”

CITY OF OXNARD FINANCING AUTHORITY
LOCAL OBLIGATION REVENUE BONDS
(2005 SPECIAL DISTRICT BOND REFINANCINGS)
\$5,180,000 Series A Senior Lien Bonds
\$2,355,000 Series B Subordinate Lien Bonds

Dated: Date of Delivery

Due: September 2, as shown on inside cover page

The City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series A Senior Lien Bonds (the “Series A Bonds”), and the City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series B Subordinate Lien Bonds (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”), are being issued by the City of Oxnard Financing Authority (the “Authority”) pursuant to an Indenture of Trust, dated as of July 1, 2005 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”), and will be secured as described herein. The Bonds are being issued to purchase the following obligations: (i) the City of Oxnard Assessment District No. 96-1 (Rose Avenue/Highway 101 Interchange Improvements) Limited Obligation Improvement Refunding Bonds, Series 2005 (the “AD Bonds”), and (ii) the Community Facilities District No. 88-1 of the City of Oxnard (Oxnard Town Center) 2005 Special Tax Refunding Bonds (the “CFD Bonds” and, together with the AD Bonds, the “Acquired Obligations”). See “THE PLAN OF FINANCE.”

The Bonds will be delivered as fully registered bonds without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), or such other name as may be requested by an authorized representative of DTC. DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. See “APPENDIX F – BOOK-ENTRY-ONLY SYSTEM.”

Payments of interest on the Bonds will be made by the Trustee to DTC, which will in turn remit such interest to its participants for subsequent dispersal to beneficial owners of the Bonds as described herein. Interest on the Bonds is payable semiannually on each March 2 and September 2, commencing March 2, 2006, until the maturity or the earlier redemption thereof. Principal and any redemption premiums with respect to each Bond will be paid upon surrender of such Bond at the principal corporate office of the Trustee upon maturity or the earlier redemption thereof.

The Bonds are subject to extraordinary redemption prior to maturity as set forth herein. See “THE BONDS – Redemption.”

The scheduled payment of the principal of and interest on the Series A Bonds when due will be guaranteed under an insurance policy (the “Series A Bond Insurance Policy”) to be issued concurrently with the delivery of the Series A Bonds by FINANCIAL SECURITY ASSURANCE INC.



PAYMENT OF THE SERIES B BONDS IS NOT SECURED BY THE SERIES A BOND INSURANCE POLICY. THE SERIES B BONDS ARE NOT RATED BY ANY RATING AGENCY, INVOLVE A HIGH DEGREE OF RISK, AND ARE NOT SUITABLE FOR ALL INVESTORS. SEE “RISK FACTORS RELATED TO THE BONDS” AND “RISK FACTORS RELATED TO THE SERIES B BONDS.”

The Series A Bonds are payable solely from Revenues under the Indenture, consisting of debt service payments on the Acquired Obligations received by the Trustee, as the assignee of the Authority, who is the registered owner of the Acquired Obligations, and amounts in certain funds and accounts pledged under the Indenture. The Series B Bonds are payable solely from Revenues under the Indenture and amounts in certain funds and accounts pledged under the Indenture that remain after the payment of the principal of, premium, if any, and interest on the Series A Bonds. Debt service payments on the Acquired Obligations are calculated to be sufficient to permit the Authority to pay debt service on Bonds when due. The Authority has determined that it will not obligate itself to advance funds from its treasury to cover any delinquency on the Acquired Obligations.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF OXNARD (THE “CITY”), THE STATE OF CALIFORNIA (THE “STATE”), OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NEITHER GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE EXCLUSIVELY FROM REVENUES, AS PROVIDED IN THE INDENTURE AND AS MORE FULLY DESCRIBED HEREIN. THE AD BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE REASSESSMENTS LEVIED WITHIN THE CITY OF OXNARD ASSESSMENT DISTRICT NO. 96-1 (ROSE AVENUE/HIGHWAY 101 INTERCHANGE IMPROVEMENTS) (THE “ASSESSMENT DISTRICT”) AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE AD BONDS FISCAL AGENT AGREEMENT (AS DEFINED HEREIN), PURSUANT TO WHICH SUCH AD BONDS ARE ISSUED. THE CFD BONDS ARE LIMITED OBLIGATIONS OF COMMUNITY FACILITIES DISTRICT NO. 88-1 OF THE CITY OF OXNARD (OXNARD TOWN CENTER) (THE “COMMUNITY FACILITIES DISTRICT” AND, TOGETHER WITH THE ASSESSMENT DISTRICT, THE “DISTRICTS”) PAYABLE SOLELY FROM THE SPECIAL TAXES LEVIED ON CERTAIN TAXABLE PROPERTY WITHIN THE COMMUNITY FACILITIES DISTRICT AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE CFD BONDS FISCAL AGENT AGREEMENT (AS DEFINED HEREIN), PURSUANT TO WHICH SUCH CFD BONDS ARE ISSUED. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE ACQUIRED OBLIGATIONS.

See “RISK FACTORS RELATED TO THE BONDS” for a discussion of certain risk factors that should be considered in addition to the other matters set forth herein when evaluating the investment quality of the Bonds generally and “RISK FACTORS RELATED TO THE SERIES B BONDS” for a discussion of certain risk factors that relate specifically to the Series B Bonds. This cover page contains certain information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See inside cover)

The Bonds are offered when, as, and if delivered to and received by the Underwriter, subject to the approval of legality by Pillsbury Winthrop Shaw Pittman LLP, Century City, California, Bond Counsel. Certain legal matters will be passed upon for the City, the Authority, and the Districts by the City Attorney and by Pillsbury Winthrop Shaw Pittman LLP, Century City, California, serving as Bond Counsel or as Disclosure Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about August 10, 2005.

STONE & YOUNGBERG LLC

MATURITY SCHEDULE

\$5,180,000 SERIES A BONDS

<u>Maturity Date (September 2)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ No.</u>	<u>Maturity Date (September 2)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ No.</u>
2006	\$420,000	3.00%	2.60%	69187P AA2	2012	\$535,000	3.45%	3.55%	69187P AG9
2007	440,000	3.00	2.85	69187P AB0	2013	555,000	3.55	3.65	69187P AH7
2008	460,000	3.00	2.95	69187P AC8	2014	415,000	3.65	3.75	69187P AJ3
2009	470,000	3.00	3.05	69187P AD6	2015	425,000	3.75	3.85	69187P AK0
2010	500,000	3.15	3.25	69187P AE4	2016	445,000	3.85	3.95	69187P AL8
2011	515,000	3.30	3.40	69187P AF1					

\$2,355,000 SERIES B BONDS

<u>Maturity Date (September 2)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>CUSIP⁽¹⁾ No.</u>	<u>Maturity Date (September 2)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>CUSIP⁽¹⁾ No.</u>
2006	\$185,000	2.85%	100.00%	69187P AM6	2012	\$245,000	4.20%	100.00%	69187P AT1
2007	200,000	3.05	100.00	69187P AN4	2013	255,000	4.25	4.30	69187P AU8
2008	205,000	3.35	100.00	69187P AP9	2014	190,000	4.35	4.40	69187P AV6
2009	215,000	3.70	100.00	69187P AQ7	2015	200,000	4.45	4.50	69187P AW4
2010	220,000	3.90	100.00	69187P AR5	2016	205,000	4.55	4.60	69187P AX2
2011	235,000	4.00	4.050	69187P AS3					

⁽¹⁾ Copyright 2005, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP is a registered trademark of the American Bankers Association.

No dealer, broker, salesperson, or other person has been authorized by the City, the Authority, or Stone & Youngberg LLC (the “Underwriter”) to give any information or to make any representations other than those 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 any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor will 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.

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

The information set forth in this Official Statement has been obtained from the City, the Authority, and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the City or the Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority since the date hereof.

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 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.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

Other than with respect to information concerning Financial Security Assurance Inc. (“Financial Security”) contained under “BOND INSURANCE FOR SERIES A BONDS” and “APPENDIX E – SERIES A BOND INSURANCE POLICY SPECIMEN,” none of the information in this Official Statement has been supplied or verified by Financial Security, and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series A Bonds; or (iii) the tax-exempt status of the interest on the Series A Bonds.

CITY OF OXNARD, CALIFORNIA

MAYOR AND CITY COUNCIL

Dr. Thomas E. Holden, *Mayor*
Andres Herrera, *Mayor Pro Tem*
Dean Maulhardt, *Councilmember*
John C. Zaragoza, *Councilmember*
Timothy B. Flynn, *Councilman*

GOVERNING BOARD OF THE AUTHORITY

Tom Conway, *Chairman*
Charles Covarrubias, *Vice Chairman*
Francisco J. Dominguez, *Board Member*
Patricia Maki, *Board Member*

CITY OFFICIALS

Edmund F. Sotelo, *City Manager*
Karen R. Burnham, *Assistant City Manager*
Gary Gillig, *City Attorney*
Daniel Martinez, *City Clerk*
Dale Belcher, *City Treasurer*
Michael J. More, *Financial Services Manager*
Beth Vo, *Financial Analyst III*

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Bond Counsel and Disclosure Counsel
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Century City, California

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AD Escrow Holder, and CFD Escrow Holder***
Wells Fargo Bank, National Association
Los Angeles, California

Verification Agent
Causey, Demgen & Moore Inc.
Denver, Colorado

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General	1
The Districts	1
Acquired Obligations.....	1
The Bonds.....	2
Security for the Bonds	2
Continuing Disclosure	3
Risk Factors.....	3
Forward-Looking Statements	3
Miscellaneous	3
THE PLAN OF FINANCE.....	4
ESTIMATED SOURCES AND USES OF FUNDS	5
Estimated Sources and Uses of Funds for the Bonds	5
Estimated Sources and Uses of Funds for the Acquired Obligations	6
THE BONDS	6
Description of the Bonds	6
Redemption	7
Purchase in Lieu of Redemption	7
Selection of Bonds for Redemption.....	7
Notice of Redemption.....	7
Effect of Redemption	8
Transfers and Exchange	8
Debt Service Schedule.....	8
SECURITY FOR THE BONDS.....	10
Repayment of the Bonds	10
Repayment of the Acquired Obligations	12
The Reassessments	14
The Special Taxes	16
Bond Insurance.....	18
Priority of Liens.....	18
No Obligation of the City Upon Delinquency	19
BOND INSURANCE FOR SERIES A BONDS.....	19
Series A Bond Insurance Policy	19
The Series A Bond Insurer	19
THE DISTRICTS	20
The Assessment District	20
The Community Facilities District	24
Debt Service Coverage.....	25
Delinquency History.....	27
Direct and Overlapping Debt.....	27
RISK FACTORS RELATED TO THE BONDS.....	30
The Bonds are Limited Obligations of the Authority	30
The AD Bonds are Limited Obligations of the City	30
The CFD Bonds are Limited Obligations of the Community Facilities District	31
Potential Early Redemption of Bonds from Prepayments	31
Concentration of Ownership.....	31
Direct and Overlapping Indebtedness.....	32
Risks of Real Estate Secured Investments Generally	32
Failure to Develop Property; Future Land Use Regulations and Growth Control Initiatives	32
Factors Which May Affect Land Development.....	33
Bankruptcy and Foreclosure Delays	33
FDIC/Federal Government Interests in Properties	34

Loss of Tax Exemption	35	
No Acceleration.....	35	
Limitations on Remedies.....	35	
Land Values.....	36	
Hazardous Substances	36	
Seismic and Flood Hazards	36	
Economic, Political, Social, and Environmental Conditions	37	
Articles XIII A and XIII B of the California Constitution.....	37	
Articles XIII C and XIII D of the California Constitution.....	39	
Future Initiatives.....	39	
RISK FACTORS RELATED TO THE SERIES B BONDS.....	40	
Subordination of Series B Bonds.....	40	
Limited Secondary Market.....	40	
No Rating of Series B Bonds.....	40	
No Bond Insurance for the Series B Bonds.....	40	
Remedies Controlled by Series A Bond Insurer.....	40	
THE AUTHORITY	40	
TAX MATTERS	41	
Bond Counsel Opinion	41	
Risk of Audit by Internal Revenue Service	42	
Original Issue Discount/Premium	42	
UNDERWRITING	43	
RATINGS OF SERIES A BONDS	43	
CONTINUING DISCLOSURE.....	43	
NO LITIGATION.....	44	
CERTAIN LEGAL MATTERS	44	
VERIFICATION	44	
MISCELLANEOUS.....	45	
APPENDIX A	INFORMATION REGARDING THE CITY OF OXNARD	A-1
APPENDIX B	SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS	B-1
APPENDIX C	PROPOSED FORMS OF BOND COUNSEL OPINIONS	C-1
APPENDIX D	FORM OF CONTINUING DISCLOSURE AGREEMENT	D-1
APPENDIX E	SERIES A BOND INSURANCE POLICY SPECIMEN	E-1
APPENDIX F	BOOK-ENTRY-ONLY SYSTEM	F-1
APPENDIX G	RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR CFD BONDS	G-1
APPENDIX H	ASSESSMENT DISTRICT PARCELS.....	H-1

**CITY OF OXNARD FINANCING AUTHORITY
LOCAL OBLIGATION REVENUE BONDS
(2005 SPECIAL DISTRICT BOND REFINANCINGS)
\$5,180,000 Series A Senior Lien Bonds
\$2,355,000 Series B Subordinate Lien Bonds**

INTRODUCTION

General

This Official Statement is provided to furnish certain information in connection with the issuance and sale by the City of Oxnard Financing Authority (the "Authority") of \$5,180,000 aggregate principal amount of the City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series A Senior Lien Bonds (the "Series A Bonds"), and \$2,355,000 aggregate principal amount of the City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series B Subordinate Lien Bonds (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds").

The Bonds will be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), and an Indenture of Trust, dated as of July 1, 2005 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Selected Definitions."

The Districts

The Assessment District. The City of Oxnard Assessment District No. 96-1 (Rose Avenue/Highway 101 Interchange Improvements) (the "Assessment District") was formed by the City of Oxnard (the "City") pursuant to the Municipal Improvement Act of 1913, as amended, constituting Section 10000 *et seq.* of the California Streets and Highways Code (the "1913 Act"). The Assessment District is located in the northeastern portion of the City and currently consists of 96 parcels with unpaid reassessments encompassing approximately 296 acres of property. The City formed the Assessment District in 1996 in order to finance improvements to the interchange of Rose Avenue and United States Highway 101 ("U.S. 101"). The majority of the property within the Assessment District has been developed for commercial and industrial uses, including a retail shopping center, a business park, a medical center, and auto sales and service facilities. See "THE DISTRICTS – The Assessment District."

The Community Facilities District. Community Facilities District No. 88-1 of the City of Oxnard (Oxnard Town Center) (the "Community Facilities District" and, together with the Assessment District, the "Districts") was formed by the City pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311 *et seq.* of the California Government Code (the "Mello-Roos Act"). The Community Facilities District consists of approximately 211 acres located in the northwestern portion of the City, north of U.S. 101. The City formed the Community Facilities District in 1988 in order to finance various public improvements to benefit a multi-use business and commercial development called the Oxnard Town Center. As of the date of this Official Statement, only approximately 30 acres (collectively, the "Taxable CFD Property") of the total 211 acres in the Community Facilities District are subject to the special taxes authorized to be levied therein (the "Special Taxes"). The Taxable CFD Property is zoned for retail and office uses, and currently includes two fully-occupied office buildings. See "THE DISTRICTS – The Community Facilities District."

Acquired Obligations

AD Bonds. Pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, constituting Division 11.5 of the California Streets and Highways Code (the "Refunding Act"), and a Fiscal Agent Agreement, dated as of July 1, 2005 (the "AD Bonds Fiscal Agent Agreement"), by and between the City and Wells Fargo Bank,

National Association, as fiscal agent (the “AD Fiscal Agent”), the City is issuing its City of Oxnard Assessment District No. 96-1 (Rose Avenue/Highway 101 Interchange Improvements) Limited Obligation Improvement Refunding Bonds, Series 2005, in the aggregate principal amount of \$5,855,000 (the “AD Bonds”). The AD Bonds will be secured by certain unpaid reassessments (the “Reassessments”) levied by the City pursuant to the Refunding Act on certain parcels within the Assessment District. A portion of the proceeds from the sale of the AD Bonds will be used to refund the Outstanding City of Oxnard Assessment District No. 96-1 (Rose Avenue/Highway 101 Interchange Improvements), Limited Obligation Improvement Bonds (the “Refunded 1996 AD Bonds”), previously issued by the City on November 26, 1996, in the aggregate principal amount of \$8,560,000, of which \$6,230,000 is currently Outstanding. See “THE PLAN OF FINANCE.”

CFD Bonds. Pursuant to the Mello-Roos Act and a Fiscal Agent Agreement, dated as of July 1, 2005 (the “CFD Bonds Fiscal Agent Agreement” and, together with the AD Bonds Fiscal Agent Agreement, the “Fiscal Agent Agreements”), by and between the Community Facilities District, acting through the City Council of the City (the “City Council”), and Wells Fargo Bank, National Association, as fiscal agent (the “CFD Fiscal Agent”), the Community Facilities District is issuing its Community Facilities District No. 88-1 of the City of Oxnard (Oxnard Town Center) 2005 Special Tax Refunding Bonds, in the aggregate principal amount of \$1,530,000 (the “CFD Bonds” and, together with the AD Bonds, the “Acquired Obligations”). The CFD Bonds will be secured by the Special Taxes to be levied by the Community Facilities District pursuant to the Mello-Roos Act on the Taxable CFD Property. A portion of the proceeds from the sale of the CFD Bonds will be used to refund the Outstanding Community Facilities District No. 88-1 of the City of Oxnard (Oxnard Town Center), 1988 Special Tax Bonds (the “Refunded 1988 CFD Bonds”), previously issued by the Community Facilities District on September 15, 1988, in the aggregate principal amount of \$14,770,000, of which \$1,735,000 is currently Outstanding. See “THE PLAN OF FINANCE.”

The Bonds

The proceeds of the Bonds will be used to: (a) acquire the Acquired Obligations from the City and the Community Facilities District, as applicable, (b) pay costs of issuance of the Bonds and the Acquired Obligations, including the premium for an insurance policy for the Series A Bonds and the premium for a surety bond to partially fund the reserve fund for the Series A Bonds, and (c) to fund a cash deposit to the reserve fund for the Series A Bonds and the reserve fund for the Series B Bonds. The principal and interest payments received by the Authority as the owner of the Acquired Obligations are the primary source of funds to pay the principal and interest with respect to the Bonds.

Security for the Bonds

Revenues. The Bonds are payable from and secured by the Revenues (as defined below) and amounts in the funds and accounts established under the Indenture (except the Rebate Fund and the Expense Fund), with the Series A Bonds having a first lien thereon and the Series B Bonds having a second lien thereon. “Revenues” is defined under the Indenture to mean (i) all amounts derived from or with respect to the Acquired Obligations and (ii) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture, except the Rebate Fund. See “SECURITY FOR THE BONDS.”

Series A Bond Insurance Policy. The scheduled payment of principal of and interest on the Series A Bonds when due will be guaranteed under an insurance policy (the “Series A Bond Insurance Policy”) to be issued concurrently with the delivery of the Series A Bonds by Financial Security Assurance Inc. (the “Series A Bond Insurer” or “Financial Security”). See “BOND INSURANCE FOR SERIES A BONDS.” **PAYMENT OF PRINCIPAL OF AND INTEREST ON THE SERIES B BONDS IS NOT SECURED BY THE SERIES A BOND INSURANCE POLICY.**

Reserve Funds. Pursuant to the Indenture, the Authority has established a reserve fund for the Series A Bonds (the “Senior Reserve Fund”) and a reserve fund for the Series B Bonds (the “Subordinate Reserve Fund”). Upon issuance of the Series A Bonds, the Senior Reserve Fund will be initially funded from the proceeds of the Series A Bonds in an amount equal to \$259,000, together with a surety bond (the “Senior Reserve Fund Surety”) issued by the Series A Bond Insurer in an amount equal to \$259,000. The Subordinate Reserve Fund will be initially funded from the proceeds of the Series B Bonds in an amount equal to \$235,500. If on any Interest

Payment Date (as defined herein) the amount in the Senior Interest Account is less than the interest payable with respect to the Series A Bonds on such date, the Trustee shall, pursuant to the terms of the Indenture, transfer the amount of such delinquency from the Senior Reserve Fund to the Senior Interest Account. If on any Interest Payment Date the amount in the Senior Principal Account is less than the principal payable with respect to the Series A Bonds on such date, the Trustee shall, pursuant to the terms of the Indenture, transfer the amount of such delinquency from the Senior Reserve Fund to the Senior Principal Account. If on any Interest Payment Date the amount in the Subordinate Interest Account is less than the interest payable with respect to the Series B Bonds on such date, the Trustee shall, pursuant to the terms of the Indenture, transfer the amount of such delinquency from the Subordinate Reserve Fund to the Subordinate Interest Account. If on any Interest Payment Date the amount in the Subordinate Principal Account is less than the principal payable with respect to the Series B Bonds on such date, the Trustee shall, pursuant to the terms of the Indenture, transfer the amount of such delinquency from Subordinate Reserve Fund to the Subordinate Principal Account. See “SECURITY FOR THE BONDS – Repayment of the Bonds.”

Continuing Disclosure

The Authority will covenant in a continuing disclosure agreement, the form of which is attached as Appendix D (the “Continuing Disclosure Agreement”), to provide certain financial information and operating data relating to the City, the Authority, and the Districts, and notices of certain events, if material. This covenant is being made by the Authority in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12, as amended. See “CONTINUING DISCLOSURE” and “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Risk Factors

See the section of this Official Statement entitled “RISK FACTORS RELATED TO THE BONDS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds generally. See the section of this Official Statement entitled “RISK FACTORS RELATED TO THE SERIES B BONDS” for certain risk factors that relate, in particular, to the investment quality of the Series B Bonds, which are not insured and are not rated. **THE SERIES B BONDS INVOLVE A HIGH DEGREE OF RISK AND ARE NOT SUITABLE FOR ALL INVESTORS.**

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See also “RISK FACTORS RELATED TO THE BONDS” and “RISK FACTORS RELATED TO THE SERIES B BONDS.”

Miscellaneous

Brief descriptions of the Bonds, the Acquired Obligations, the security for the Bonds, the Assessment District, the Community Facilities District, the Authority, the City, and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Acquired Obligations, the Indenture, the Fiscal Agent Agreements, and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Acquired Obligations, the Indenture, the Fiscal Agent Agreements, and such other documents.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE REVENUES PLEDGED UNDER THE INDENTURE, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY, OR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE EXCLUSIVELY FROM REVENUES, AS PROVIDED IN THE INDENTURE AND AS MORE FULLY DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE ACQUIRED OBLIGATIONS. THE AD BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE REASSESSMENTS LEVIED WITHIN THE ASSESSMENT DISTRICT AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE AD BONDS FISCAL AGENT AGREEMENT, PURSUANT TO WHICH SUCH AD BONDS ARE ISSUED. THE CFD BONDS ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES LEVIED ON THE TAXABLE CFD PROPERTY WITHIN THE COMMUNITY FACILITIES DISTRICT AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE CFD BONDS FISCAL AGENT AGREEMENT, PURSUANT TO WHICH SUCH CFD BONDS ARE ISSUED.

THE PLAN OF FINANCE

The Bonds are being issued in order to provide funds to purchase the Acquired Obligations. The Acquired Obligations consist of (i) the AD Bonds, which are being issued in the aggregate principal amount of \$5,855,000 to refund the Refunded 1996 AD Bonds, which were previously issued by the City on November 26, 1996, in the aggregate principal amount of \$8,560,000, of which \$6,230,000 is currently Outstanding, and (ii) the CFD Bonds, which are being issued in the aggregate principal amount of \$1,530,000 to refund the Refunded 1988 CFD Bonds, which were previously issued by the Community Facilities District on September 15, 1988, in the aggregate principal amount of \$14,770,000, of which \$1,735,000 is currently Outstanding.

Concurrently with the delivery of the Acquired Obligations, the City will cause a portion of the proceeds of the sale of the AD Bonds and certain other amounts on deposit in the funds and accounts established for the Refunded 1996 AD Bonds to be deposited into an escrow fund established under that certain Escrow Agreement, dated as of July 1, 2005 (the "AD Escrow Agreement"), by and between the City and Wells Fargo Bank, National Association, as escrow holder (the "AD Escrow Holder"). Such amounts will be sufficient to pay, on September 2, 2005, the accrued interest on the Refunded 1996 AD Bonds maturing on and after September 2, 2005, the principal amount of the Refunded 1996 AD Bonds maturing on September 2, 2005, and the redemption price of 103% of the principal amount payable with respect to the Refunded 1996 AD Bonds maturing after September 2, 2005, as verified by Causey, Demgen & Moore Inc., Denver, Colorado, an independent firm of certified public accountants (the "Verification Agent"). See "ESTIMATED SOURCES AND USES OF FUNDS" and "VERIFICATION."

Concurrently with the delivery of the Acquired Obligations, the Community Facilities District will cause a portion of the proceeds of the sale of the CFD Bonds and certain other amounts on deposit in the funds and accounts established for the Refunded 1988 CFD Bonds to be deposited into an escrow fund established under that certain Escrow Agreement, dated as of July 1, 2005 (the "CFD Escrow Agreement"), by and between the Community Facilities District, acting through the City Council, and Wells Fargo Bank, National Association, as escrow holder (the "CFD Escrow Holder"). Such amounts will be sufficient to pay, on October 1, 2005, the accrued interest on the Refunded 1988 CFD Bonds maturing on and after October 1, 2005, the principal amount of the Refunded 1988 CFD Bonds maturing on October 1, 2005, if any, and the redemption price of 100% of the principal amount payable with respect to the Refunded 1988 CFD Bonds maturing after October 1, 2005, as verified by the Verification Agent. See "ESTIMATED SOURCES AND USES OF FUNDS" and "VERIFICATION."

Amounts in the escrow funds established for the Refunded 1996 AD Bonds and the Refunded 1988 CFD Bonds, respectively, either will be invested solely in direct, noncallable obligations of the United States of America, or will remain uninvested.

ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources and Uses of Funds for the Bonds

The estimated sources and uses of funds with respect to the Series A Bonds are set forth in the following table:

Sources of Funds

Principal Amount	\$5,180,000.00
Less: Net Original Issue Discount	<u>(20,183.20)</u>
Total Sources	\$5,159,816.80

Uses of Funds

Underwriter's Discount	\$ 63,196.00
Expense Fund ⁽¹⁾	197,526.44
Other Costs of Issuance ⁽²⁾	98,816.43
Senior Reserve Fund ⁽³⁾	259,000.00
Program Fund ⁽⁴⁾	<u>4,541,277.93</u>
Total Uses	\$5,159,816.80

⁽¹⁾ To pay costs of issuance including legal fees, printing fees, rating agency fees, Trustee, AD Fiscal Agent, and CFD Fiscal Agent fees, and Verification Agent fees.

⁽²⁾ To be transferred to the Series A Bond Insurer to pay the Series A Bond Insurance Policy premium in the amount of \$91,046.43 and the Senior Reserve Fund Surety premium in the amount of \$7,770.00.

⁽³⁾ Represents a portion of the Senior Reserve Requirement (as defined herein) for the Series A Bonds. The remainder of the Senior Reserve Requirement is being funded with the Senior Reserve Fund Surety.

⁽⁴⁾ Amounts in the Program Fund will be used to purchase the Acquired Obligations.

The estimated sources and uses of funds with respect to the Series B Bonds are set forth in the following table:

Sources of Funds

Principal Amount	\$2,355,000.00
Less: Net Original Issue Discount	<u>(3,906.05)</u>
Total Sources	\$2,351,093.95

Uses of Funds

Underwriter's Discount	\$ 38,151.00
Expense Fund ⁽¹⁾	90,403.95
Subordinate Reserve Fund ⁽²⁾	235,500.00
Program Fund ⁽³⁾	<u>1,987,039.00</u>
Total Uses	\$2,351,093.95

⁽¹⁾ To pay costs of issuance including legal fees, printing fees, rating agency fees, Trustee, AD Fiscal Agent, and CFD Fiscal Agent fees, and Verification Agent fees.

⁽²⁾ Represents the Subordinate Reserve Requirement (as defined herein) for the Series B Bonds.

⁽³⁾ Amounts in the Program Fund will be used to purchase the Acquired Obligations.

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Estimated Sources and Uses of Funds for the Acquired Obligations

The estimated sources and uses of funds with respect to the AD Bonds are set forth in the following table:

Sources of Funds

Principal Amount	\$5,855,000.00
Less: Authority Purchase Discount	(582,144.35)
Refunded 1996 AD Bonds Reserve Fund	778,453.33
Refunded 1996 AD Bonds Redemption Fund	<u>532,000.00</u>
Total Sources	\$6,583,308.88

Uses of Funds

Refunding Escrow Fund	<u>\$6,583,308.98</u>
Total Uses	\$6,583,308.88

The estimated sources and uses of funds with respect to the CFD Bonds are set forth in the following table:

Sources of Funds

Principal Amount	\$1,530,000.00
Less: Authority Purchase Discount	(274,538.72)
Refunded 1988 CFD Bonds Reserve Fund	201,500.00
Refunded 1988 CFD Bonds Debt Service Fund	<u>340,701.25</u>
Total Sources	\$1,797,662.53

Uses of Funds

Refunding Escrow Fund	<u>\$1,797,662.53</u>
Total Uses	\$1,797,662.53

THE BONDS

Description of the Bonds

The Bonds will be issued in fully registered form 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. See “APPENDIX F – BOOK-ENTRY-ONLY SYSTEM.”

The Bonds will be dated their date of delivery. The Bonds 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, 2006 (each an “Interest Payment Date”), to the persons in whose names ownership of the Bonds is registered on the records maintained by the Trustee for the registration and transfer of ownership of the Bonds (the “Registration Books”) at the close of business on the fifteenth (15th) day (whether or not such day is a Business Day) of the calendar month preceding the applicable Interest Payment Date (each, a “Record Date”), except as provided in the Indenture. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, 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 its date of delivery, 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.

The principal of and redemption premium, if any, on the Bonds will be paid in lawful money of the United States of America at the office of the Trustee upon presentation and surrender of the Bonds at maturity or the prior redemption thereof. The Bonds will mature on September 2 in the principal amounts and years as shown on the inside cover page hereof and are subject to extraordinary redemption as described herein.

Redemption

No Optional Redemption. The Bonds are *not* subject to optional redemption prior to maturity.

Extraordinary Redemption from Prepayments. The Bonds or any portion of a Bond in any authorized denomination shall be subject to extraordinary redemption prior to maturity, in whole on any date, or in part on any Interest Payment Date, *pro rata* among the Series A Bonds and the Series B Bonds and among maturities as directed by the Authority, subject to the approval of the Series A Bond Insurer, in a Written Order of the Authority accompanied by and consistent with the applicable Cash Flow Certificate (as defined herein), from funds transferred to the Trustee by the AD Fiscal Agent from the AD Prepayment Account at a redemption price equal to the principal amount of the Bonds to be redeemed, plus a premium equal to one percent (1%) of such principal amount, together with accrued interest to the date of redemption.

Cash Flow Certificate. The term “Cash Flow Certificate” is defined in the Indenture as a certificate prepared by an Independent Special District Administrator (as defined in the Indenture), which, as to an extraordinary redemption of Bonds pursuant to the Indenture, (i) directs the redemption of Bonds among maturities of the Series A Bonds and the Series B Bonds as necessary, after giving effect to such redemption, so as to maintain as close as practicable a level of Revenue coverage that existed for the Series A Bonds and the Series B Bonds as of their date of delivery, and (ii) certifies that after such redemption the Revenues scheduled to be received from the Acquired Obligations will be sufficient in time and amount (together with funds then held under the Indenture representing payments made pursuant to the Acquired Obligations and available to pay debt service on the Bonds, but excluding amounts, if any, on deposit in the Senior Reserve Fund and the Subordinate Reserve Fund) to make all remaining scheduled payments of principal of and interest on the Outstanding Bonds.

Purchase in Lieu of Redemption

In lieu of redemption of any Bonds, and after completing a Cash Flow Certificate, amounts held by the Trustee in the Redemption Account established under the Indenture for any such redemption may also be used for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges) as the Authority may, in its discretion, determine, but not in excess of the redemption price thereof plus accrued interest to the purchase date. All Bonds so purchased shall be delivered to the Trustee for cancellation. If any Bond so purchased is not cancelled, prior written consent of the Series A Bond Insurer is required.

Selection of Bonds for Redemption

In the event a portion of the Bonds are to be redeemed, the Trustee will select the series, the amounts, and the maturities of Bonds for redemption in accordance with a Written Order of the Authority, which, in the case of a partial extraordinary redemption, shall provide for redemption on a *pro rata* basis between Series A Bonds and Series B Bonds. Each such Written Order of the Authority pertaining to the extraordinary redemption of Bonds shall be accompanied by a Cash Flow Certificate pertaining to such redemption. See “THE BONDS – Redemption – Extraordinary Redemption from Prepayments.”

Notice of Redemption

At least thirty (30) days but no more than sixty (60) days prior to a redemption date, the Trustee shall give by first class mail, postage prepaid, a copy of the notice of redemption to the Owners of the Bonds to be redeemed at

their addresses appearing on the Registration Books. Failure to receive such notice or any defect therein shall not affect the validity of the redemption or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture shall be conclusive as against all parties. In addition, notice of redemption shall be given to the Securities Depositories and to at least one of the Information Services.

Effect of Redemption

If, on a redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Indenture, together with interest to such redemption date, shall be available therefor, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest represented by said Bonds to be redeemed shall cease to accrue.

When any Bonds (or portion thereof) have been duly called for redemption under the provisions of the Indenture and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds (or portions thereof), all as provided in the Indenture, then, on the redemption date, such Bonds (or portion thereof) shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation.

Transfers and Exchange

So long as the Bonds remain in book-entry form, 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, the Bonds may be transferred and exchanged in accordance with the terms of the Indenture. See “APPENDIX F – BOOK-ENTRY-ONLY SYSTEM.”

Debt Service Schedule

The debt service schedule for the Series A Bonds and the Series B Bonds, assuming no redemptions, is set forth below:

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DEBT SERVICE SCHEDULE

**SERIES A BONDS
(SENIOR LIEN BONDS)**

**SERIES B BONDS
(SUBORDINATE LIEN BONDS)**

Year Ending (September 2)	Principal	Interest	Annual Debt Service	Principal	Interest	Annual Debt Service	Total Debt Service
2006	\$ 420,000.00	\$ 183,383.88	\$ 603,383.88	\$ 185,000.00	\$ 97,404.69	\$ 282,404.69	\$ 885,788.57
2007	440,000.00	160,222.50	600,222.50	200,000.00	86,522.50	286,522.50	886,745.00
2008	460,000.00	147,022.50	607,022.50	205,000.00	80,422.50	285,422.50	892,445.00
2009	470,000.00	133,222.50	603,222.50	215,000.00	73,555.00	288,555.00	891,777.50
2010	500,000.00	119,122.50	619,122.50	220,000.00	65,600.00	285,600.00	904,722.50
2011	515,000.00	103,372.50	618,372.50	235,000.00	57,020.00	292,020.00	910,392.50
2012	535,000.00	86,377.50	621,377.50	245,000.00	47,620.00	292,620.00	913,997.50
2013	555,000.00	67,920.00	622,920.00	255,000.00	37,330.00	292,330.00	915,250.00
2014	415,000.00	48,217.50	463,217.50	190,000.00	26,492.50	216,492.50	679,710.00
2015	425,000.00	33,070.00	458,070.00	200,000.00	18,227.50	218,227.50	676,297.50
2016	<u>445,000.00</u>	<u>17,132.50</u>	<u>462,132.50</u>	<u>205,000.00</u>	<u>9,327.50</u>	<u>214,327.50</u>	<u>676,460.00</u>
Totals	\$5,180,000.00	\$1,099,063.88	\$6,279,063.88	\$2,355,000.00	\$599,522.19	\$2,954,522.19	\$9,233,586.07

Source: Underwriter.

SECURITY FOR THE BONDS

Repayment of the Bonds

General. The Bonds are payable solely from and secured by the pledged Revenues and any other amounts held in any fund or account established pursuant to the Indenture, except the Rebate Fund and the Expense Fund. Revenues consist of (i) all amounts derived from or with respect to the Acquired Obligations and (ii) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture, except the Rebate Fund.

The Acquired Obligations will bear interest at annual rates that are higher than the rate on the Bonds. Therefore, Revenues derived from payments of interest on the Acquired Obligations will be greater than payments of interest on the Bonds, which excess will be used to provide coverage for the payment of debt service on the Bonds and to provide a source of payment of certain Administrative Costs of the Authority.

The Bonds are limited obligations of the Authority. The Bonds shall not be deemed to constitute a debt or liability of the City, the State, or any political subdivision of the State, other than the Authority. The Authority shall only be obligated to pay the principal of and interest on the Bonds from the Revenues and the other funds and assets pledged therefor pursuant to the Indenture. Neither the faith and credit nor the taxing power of the City, the State, or any of political subdivision of the State is pledged to the payment of the principal of or the interest or premium, if any, on the Bonds. The Authority has no taxing power.

Flow of Funds and the Revenue Fund. Revenues that represent proceeds from the extraordinary redemption, in whole or in part, of the AD Bonds with funds attributable to the prepayment of any Reassessment lien securing such AD Bonds will be deposited in the Redemption Account for early redemption of the Bonds.

The Trustee will deposit all other Revenues into the Revenue Fund as received and make further deposits of such Revenues into the various accounts within the Revenue Fund as provided in the Indenture in the following order of priority:

- (1) on March 2 and September 2 of each year, to the Senior Interest Account an amount which, together with amounts then on deposit therein, is equal to the amount of interest coming due and payable on the Series A Bonds;
- (2) on September 2 of each year, to the Senior Principal Account an amount which, together with amounts then on deposit therein, is equal to the amount of principal coming due and payable on the Series A Bonds;
- (3) on March 2 and September 2 of each year, to the Senior Reserve Fund an amount which, together with other funds therein, including the amount of the Senior Reserve Surety, if any, is equal to the Senior Reserve Requirement;
- (4) on March 2 and September 2 of each year, to the Subordinate Interest Account an amount which, together with amounts then on deposit therein, is equal to the amount of interest coming due and payable on the Series B Bonds;
- (5) on September 2 of each year, to the Subordinate Principal Account an amount which, together with amounts then on deposit therein, is equal to the amount of principal coming due and payable on the Series B Bonds;
- (6) on March 2 and September 2 of each year, to the Subordinate Reserve Fund an amount which, together with other amounts on deposit therein, is required to cause the aggregate amount on deposit therein to equal the Subordinate Reserve Requirement;

(7) on the next Business Day following each March 2 and September 2 after the preceding transfers have been made, to the Expense Fund such amount as may be requested in a Written Request of an Authorized Representative of the Authority for the payment of Administrative Costs;

(8) on the next Business Day following each March 2 and September 2 after the preceding transfers have been made, to the Rebate Fund all amounts which the Authority directs to be deposited therein pursuant to the arbitrage rebate provisions of the Indenture; and

(9) on the next Business Day following each March 2 and September 2 after the preceding transfers have been made, to the Residual Account of the Revenue Fund, the amount then on deposit in the Revenue Fund.

Residual Account. Amounts in the Residual Account may, at any time and at the written direction of the Authority, be used as follows:

(1) transferred to the Expense Fund if the amount therein is insufficient to pay costs of issuance or Administrative Costs,

(2) transferred to the Rebate Fund, or

(3) transferred to the Redemption Account.

Three (3) Business Days prior to each Interest Payment Date, the Trustee shall transfer all monies deposited in the Residual Account to the Revenue Fund to be applied in accordance with the Indenture. Promptly following the date that the Bonds are no longer Outstanding, all funds on deposit in the Residual Account, including transfers from the Senior Reserve Fund and the Subordinate Reserve Fund, respectively, shall be remitted (i) in the amount of the CFD Residual Amount (as defined below) to the City for refund to the property owners within the Community Facilities District as determined by an authorized officer of the City, and (ii) in the amount of the balance of the Residual Account to the City for refund to the property owners within the Assessment District in the manner set forth in Section 8885 of the California Streets and Highways Code.

Senior Reserve Fund. The Authority is required to deposit in the Senior Reserve Fund \$259,000 (the "Senior Reserve Fund Cash Deposit") and the Senior Reserve Fund Surety, which together represent an amount equal to the Senior Reserve Requirement. The term "Senior Reserve Requirement" is defined in the Indenture as an amount equal to \$518,000, which amount is equal to the least of (i) Maximum Annual Debt Service for the Series A Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Series A Bonds, or (iii) ten percent (10%) of the original principal amount of the Series A Bonds.

If on any Interest Payment Date the amount in the Senior Interest Account is less than the interest payable with respect to the Series A Bonds on such date, the Trustee shall withdraw from the Senior Reserve Fund and deposit into the Senior Interest Account the amount of such deficiency. If on any Interest Payment Date the amount in the Senior Principal Account is less than the principal payable with respect to the Series A Bonds on such date, the Trustee shall withdraw from the Senior Reserve Fund and deposit into the Senior Principal Account the amount of such deficiency. The Trustee shall transfer amounts on deposit in the Senior Reserve Fund in excess of the Senior Reserve Requirement to the Residual Account.

In making any such withdrawal from the Senior Reserve Fund for deposit to the Senior Interest Account or the Senior Principal Account, the Trustee shall first withdraw from the Senior Reserve Fund Cash Deposit then on deposit in the Senior Reserve Fund before making a draw on the Senior Reserve Fund Surety. At least ten (10) Business Days prior to any such Interest Payment Date, the Trustee shall determine if the funds expected to be on deposit in the Senior Reserve Fund on such Interest Payment Date will be insufficient to make up the deficiency in the amount required for the interest or principal, as applicable, payable with respect to the Series A Bonds on such date and if it will be necessary for the Trustee to make a claim upon the Senior Reserve Fund Surety. If the Trustee determines that it will be necessary for the Trustee to make a claim for the payment of such deficiency by the Series A Bond Insurer, the Trustee shall make a claim upon the Senior Reserve Fund Surety pursuant to the provisions thereof at least five (5) Business Days prior to such Interest Payment Date.

Subordinate Reserve Fund. The Authority is required to deposit \$235,500 in the Subordinate Reserve Fund, which represents an amount equal to the Subordinate Reserve Requirement. The “Subordinate Reserve Requirement” means that amount that shall be equal to the least of (i) Maximum Annual Debt Service for the Series B Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Series B Bonds, or (iii) ten percent (10%) of the original principal amount of the Series B Bonds.

If on any Interest Payment Date the amount in the Subordinate Interest Account is less than the interest payable with respect to the Series B Bonds on such date, the Trustee shall withdraw from the Subordinate Reserve Fund and deposit into the Subordinate Interest Account the amount of such deficiency. If on any Interest Payment Date the amount in the Subordinate Principal Account is less than the principal payable with respect to the Series B Bonds on such date, the Trustee shall withdraw from the Subordinate Reserve Fund and deposit into the Subordinate Principal Account the amount of such deficiency. The Trustee shall transfer amounts on deposit in the Subordinate Reserve Fund in excess of the Subordinate Reserve Requirement to the Residual Account.

Credit in Final Year of Bonds. At or around June 1, 2015, the Trustee shall calculate the Available Amount (as defined below) and transmit such calculation to the City, it being understood that the City will reduce the Fiscal Year 2015-2016 reassessment levy in the Assessment District in an amount equal to the Available Amount. The term “Available Amount” is defined in the Indenture to mean, at the time of calculation, an amount calculated by adding (i) the Senior Reserve Fund Cash Deposit on deposit in the Senior Reserve Fund, (ii) the amount on deposit in the Subordinate Reserve Fund, and (iii) the amount on deposit in the Residual Account, less (iv) the CFD Residual Amount, and less (v) any amounts determined by the Authority (in consultation with the City) to be needed to pay debt service on the Bonds on September 2, 2015, or to be used for any required rebate to the United States Government or for other expenses. The term “CFD Residual Amount” is defined in the Indenture as the amount of \$100,750, which is the approximate amount of the Senior Reserve Fund Cash Deposit and the Subordinate Reserve Fund allocable to the CFD Bonds, and which amount will be remitted to the owners of Taxable CFD Property after the Bonds are paid in full.

Repayment of the Acquired Obligations

General. The Acquired Obligations consist of the AD Bonds and the CFD Bonds. The AD Bonds are payable solely from and secured by unpaid Reassessments on parcels located within the Assessment District. The CFD Bonds are payable solely from and secured by unpaid Special Taxes levied on the Taxable CFD Property. See “THE PLAN OF FINANCE” and “THE DISTRICTS.”

Reassessments will be billed by the County of Ventura (the “County”) on the general property tax bill to the owners of property within the Assessment District. The County, upon collection, will remit the portion of the tax payment attributable to the Reassessment installments to the City. Upon receipt by the City, and after removing amounts levied for administrative costs, the City is required to transfer Reassessment installments to the AD Fiscal Agent to be deposited into the AD Bonds Redemption Fund to pay the principal of and interest on the AD Bonds, as such payments become due.

Special Taxes will also be billed by the County on the general property tax bill to the owners of property within the Taxable CFD Property. The County, upon collection, will remit the portion of the tax payment attributable to the Special Taxes to the City, acting on behalf of the Community Facilities District. Upon receipt, the City shall transfer or cause to be transferred all sums received from the collection of the Special Taxes, and of interest and certain penalties thereon, to the CFD Fiscal Agent for deposit into the Special Tax Fund. The CFD Fiscal Agent shall then transfer such Special Taxes, on the dates and in the amounts set forth in the CFD Bonds Fiscal Agent Agreement, in the following order of priority, to: (1) the Administrative Expense Fund, to pay Administrative Expenses, and (2) the CFD Bond Service Fund, to pay the principal of and interest on the CFD Bonds, as such payments become due.

Pursuant to the provisions of California Streets and Highways Code Section 8769(b), the City has determined not to obligate itself to advance funds from any funds, accounts, or revenues of the City to cure any deficiency which may occur in the funds and accounts held under the AD Bonds Fiscal Agent Agreement for payment of the AD Bonds. If a delinquency occurs in the payment of any Reassessment installment, the City has no duty to transfer to the AD Fiscal Agent the amount of the delinquency out of available funds of the City.

Neither the City nor the Community Facilities District has any obligation to advance funds from any funds, accounts, or revenues of the City or the Community Facilities District to cure any deficiency which may occur in the funds and accounts held under the CFD Bonds Fiscal Agent Agreement for payment of the CFD Bonds. If a delinquency occurs in the payment of any Special Tax, neither the City nor the Community Facilities District has any duty to transfer to the CFD Fiscal Agent the amount of the delinquency out of available funds of the City or the Community Facilities District.

NO OTHER FUNDS OF THE CITY OR THE COMMUNITY FACILITIES DISTRICT ARE PLEDGED FOR THE PAYMENT OF DELINQUENT REASSESSMENT INSTALLMENTS OR SPECIAL TAXES, AS APPLICABLE. THE ACQUIRED OBLIGATIONS ARE NOT GENERAL OBLIGATIONS OF THE CITY, THE COMMUNITY FACILITIES DISTRICT, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR THE COMMUNITY FACILITIES DISTRICT (EXCEPT AS DESCRIBED HEREIN), THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE ACQUIRED OBLIGATIONS.

AD Bonds Redemption Fund. The AD Fiscal Agent is directed under the AD Bonds Fiscal Agent Agreement to establish and maintain the AD Bonds Redemption Fund into which will be placed all sums received from the collection of the Reassessments (other than amounts collected for administration) relating to the AD Bonds.

The City shall transfer or cause to be transferred all sums received from the collection of the Reassessments, and interest and certain penalties thereon, and all sums received from the prepayment of Reassessments, to the AD Fiscal Agent within ten (10) Business Days prior to the applicable Interest Payment Date. Ten (10) Business Days prior to each Interest Payment Date, the AD Fiscal Agent shall determine if the amounts to be on deposit in the AD Bonds Redemption Fund (following the transfer of collected Reassessments from the City) will be sufficient to pay the debt service due on the AD Bonds on such Interest Payment Date. Upon such determination, the AD Fiscal Agent shall immediately provide written notice to the Trustee of either (i) the sufficiency of the funds in the AD Bonds Redemption Fund or (ii) the insufficiency of such funds together with the amount of such deficiency.

On each Interest Payment Date, principal of and interest and premium, if any, on the AD Bonds shall be paid by the AD Fiscal Agent to the Trustee, as assignee of the Authority, which is the registered owner of the AD Bonds, out of the AD Bonds Redemption Fund to the extent funds on deposit in said AD Bonds Redemption Fund are available therefor.

AD Bonds Prepayment Account. The AD Fiscal Agent is directed under the AD Bonds Fiscal Agent Agreement to establish the AD Bonds Prepayment Account within the AD Bonds Redemption Fund. The AD Fiscal Agent shall deposit in the AD Bonds Prepayment Account all moneys received from the Treasurer of the City representing the principal of and redemption premium, if any, on any prepaid AD Bonds. Such moneys shall be applied solely to the payment of principal of and premium, if any, on AD Bonds to be redeemed prior to maturity pursuant to the provisions of the AD Bonds Fiscal Agent Agreement and, in turn, will be applied by the Trustee to effect an extraordinary redemption of Bonds. See "THE BONDS - Redemption - Extraordinary Redemption from Prepayments."

CFD Bond Service Fund. The CFD Fiscal Agent is directed under the CFD Bonds Fiscal Agent Agreement to establish and maintain the Special Tax Fund into which shall be deposited all Special Taxes received by the Community Facilities District. Upon receipt, the City shall transfer or cause to be transferred all sums received from the collection of the Special Taxes and of interest and certain penalties thereon, to the CFD Fiscal Agent for deposit into the Special Tax Fund.

At least ten (10) Business Days prior to each Interest Payment Date, the CFD Fiscal Agent shall transfer from the Special Tax Fund to the CFD Bond Service Fund an amount equal, together with amounts already on deposit therein, to all of the principal and interest due and payable with respect to the CFD Bonds on the next interest payment date. Ten (10) Business Days prior to each Interest Payment Date, the CFD Fiscal Agent shall determine if the amounts to be on deposit in the CFD Bond Service Fund (following the transfer of collected Special Taxes from the City) will be sufficient to pay all of the principal and all of the interest due and payable on the CFD Bonds on such Interest Payment Date. Upon such determination, the Fiscal Agent shall immediately provide written

notice to the Trustee of either (i) the sufficiency of the funds in the CFD Bond Service Fund or (ii) the insufficiency of such funds, together with the amount of such deficiency.

On each Interest Payment Date, principal of and interest on the CFD Bonds shall be paid by the CFD Fiscal Agent to the Trustee, as assignee of the Authority, which is the registered owner of the CFD Bonds, out of the CFD Bond Service Fund to the extent funds on deposit in said CFD Bond Service Fund are available therefor.

The Reassessments

Levy and Collection of Reassessments. Pursuant to the Refunding Act, installments of Reassessments will be billed by the County on the general property tax bill to the owner of parcels within the Assessment District against which there are unpaid Reassessments. Annual installments of Reassessments billed against the parcels of property in the Assessment District will be equal to the total principal and interest coming due with respect to all of the AD Bonds that year, plus an administrative charge. The installments billed against each property each year represent a *pro rata* share of the amount needed to pay the total principal of and interest on the AD Bonds coming due that year, based on the percentage that the unpaid Reassessment levied against such property bears to the total of unpaid Reassessments levied to repay the AD Bonds. Reassessments will be collected and are payable and become delinquent at the same time and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do general taxes, and the parcels upon which the Reassessments are levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes.

Each Reassessment and each installment thereof, and any interest and penalties thereon, constitute a lien against the parcel of land on which it is levied until paid. Only the Reassessments and installments thereof are pledged to secure the AD Bonds.

The lien of the Reassessments is co-equal to and independent of the lien for general *ad valorem* property taxes and other taxes, special taxes, and charges collected on the property tax roll. The lien is subordinate to all fixed special assessment liens imposed prior to the date of recordation of the assessment lien for the Refunded 1996 AD Bonds upon the same property, but has priority over all existing and future private liens and over all fixed special assessment liens that may thereafter be levied against the property. The Reassessment liens supplant the original liens of the assessments in the Assessment District.

THE OBLIGATIONS OF THE CITY UNDER THE AD BONDS FISCAL AGENT AGREEMENT AND THE AD BONDS ARE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM REASSESSMENT INSTALLMENTS AND THE FUNDS PLEDGED THEREFOR UNDER THE AD BONDS FISCAL AGENT AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE AD BONDS.

Although the Reassessments constitute a fixed lien on the respective assessed parcels within the Assessment District, they do not constitute personal indebtedness of the affected property owners. Further, there are no restrictions on the ability of property owners to sell parcels subject to the Reassessments. No assurance can be given as to the ability or the willingness of any property owner within the Assessment District to pay the annual installments of the Reassessments when due. The failure of a property owner to pay an annual installment of a Reassessment will not result in an increase in Reassessments against other parcels in the Assessment District. See “RISK FACTORS RELATED TO THE BONDS – The AD Bonds are Limited Obligations of the City.”

The City has covenanted in certain circumstances to undertake and diligently prosecute foreclosure proceedings following a delinquency in the payment of Reassessments. See “Covenant to Foreclose” below. The City is not required to bid at the foreclosure sale.

In the proceedings for the authorization and issuance of the AD Bonds, the City has determined not to obligate itself to advance any available funds from the City treasury to cover any deficiency or delinquency that may

occur in the AD Bonds Redemption Fund by reason of the failure of a property owner to pay an annual installment of a Reassessment.

Method of Reassessment Spread. The Refunding Act provides for the issuance of refunding bonds, payable from certain reassessments. Such refunding bonds may be issued to refund bonds originally issued under the Improvement Bond Act of 1915, as amended, constituting Division 10 of the California Streets and Highways Code (the "1915 Act"), and the reassessments supersede the original assessments that secure such 1915 Act bonds. The Refunding Act generally requires each estimated annual installment of principal and interest with respect to any reassessment to be less than the original assessment being superseded by the same percentage for all subdivisions of land within the applicable assessment district. Therefore, the reassessment spread for each parcel will be roughly proportional to the original assessment spread. The City has retained NBS Government Finance Group, Temecula, California, as the reassessment engineer (the "Reassessment Engineer") to calculate the Reassessments in accordance with the Refunding Act.

A copy of the Reassessment Engineer's report on the Reassessment apportionment for the Assessment District is on file with the City.

Covenant to Foreclose. The AD Bonds issued under the Refunding Act are subject to the provisions of the 1915 Act with respect to foreclosure remedies. The 1915 Act provides that, in the event any installment of an assessment is not paid when due, the City may order the collection of the installment by the institution of a court action to foreclose the lien of such assessment. In such an action, the real property subject to the unpaid assessment may be sold at a judicial foreclosure sale. Pursuant to the AD Bonds Fiscal Agent Agreement, the City has covenanted for the benefit of the registered owners of the AD Bonds to annually reconcile Reassessment levies and Reassessment collections and to initiate judicial foreclosure proceedings within ninety (90) days following the end of a Fiscal Year in which there is any delinquency in the payment of a Reassessment. The City's covenant to initiate judicial foreclosure proceedings shall be honored notwithstanding that the annual installments of Reassessments may be paid by the County pursuant to a Teeter Plan instituted in accordance with Sections 4701 through 4717 of the California Revenue and Taxation Code (a "Teeter Plan"), should the County institute a Teeter Plan that includes the collection of the Reassessments. Currently, no Teeter Plan is in place with respect to the Reassessments. The City has also covenanted to diligently prosecute to completion such foreclosure proceedings as may be necessary to collect the delinquent amounts.

Judicial Foreclosure Sale Proceedings. The 1915 Act provides that the court in a foreclosure proceeding has the power to order a parcel securing delinquent Reassessments to be sold for an amount not less than all delinquent annual installments of the Reassessments, interest, penalties, costs, fees, and other charges that are delinquent at the time the foreclosure action is ordered and certain other fees and amounts as provided in the 1915 Act (the "Minimum Price"). The court may also include subsequent delinquent Reassessments and all other delinquent amounts.

If the parcel is sold to a purchaser other than the City, the City shall deposit the proceeds from the sale of the parcel, after payment of any expenses related to the foreclosure, into the AD Bonds Redemption Fund. The City has no obligation to advance any moneys (other than the foreclosure sale proceeds) to the AD Bonds Redemption Fund. However, if the City for any reason voluntarily chooses to advance funds, then the City shall be reimbursed for such advance of funds from the proceeds of the foreclosure sale. Any funds in excess of the amount necessary to reimburse the City may be applied by the City to reimburse other funds, if any, used to cover delinquent installments of the Reassessments or to pay interest and penalties, costs, fees, and other charges, to the extent they were included in the sale proceeds.

If the parcel or parcels to be sold fail to sell for the Minimum Price, the City may petition the court to modify the judgment so that the parcel or parcels may be sold at a lesser price or without a Minimum Price. In certain circumstances, as provided in the 1915 Act, the court may modify the judgment after a hearing if the court makes certain determinations, including determinations that the sale at less than the Minimum Price will not result in an ultimate loss to the owners of the AD Bonds or that the owners of at least seventy-five percent (75%) of the principal amount of the AD Bonds Outstanding have consented to the petition and the sale will not result in an ultimate loss to nonconsenting owners of Outstanding AD Bonds. The court may also make such modification of the judgment upon consent of the owners of at least seventy-five percent (75%) of the principal amount of the

Outstanding AD Bonds without determining that the sale will not result in an ultimate loss to the nonconsenting owners of the Outstanding AD Bonds if: (i) the City is not obligated to advance available funds to cure a deficiency, (ii) no bids equal to or greater than the Minimum Price have been received at the foreclosure sale, (iii) no funds remain in the applicable reserve fund, (iv) the City has reasonably determined that a reassessment and refunding proceeding is not practicable or has in good faith endeavored to accomplish a reassessment and refunding and has not been successful, or has completed reassessment and refunding arrangements which will, to the maximum extent feasible, minimize the ultimate loss to the bondholders, and (v) no other remedy acceptable to the owners or holders of seventy-five percent (75%) or more of the principal amount of the Outstanding AD Bonds is reasonably available. Neither the parcel owner nor any holder of a security interest in the parcel nor any defendant in the foreclosure action nor any agent thereof may purchase the parcel at the foreclosure sale for less than the Minimum Price. The assessment lien upon property sold at a lesser price than the Minimum Price is to be reduced by the difference between the Minimum Price and the sale price.

No assurance can be given that, in the event of a foreclosure proceeding, a parcel could be sold for the full amount of the delinquency or that any bid would be received for such parcel. See “RISK FACTORS RELATED TO THE BONDS – Land Values.” Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the City to foreclose the lien of delinquent unpaid Reassessment installments may be substantially delayed by bankruptcy court proceedings, may be limited in certain other circumstances, and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation. See “RISK FACTORS RELATED TO THE BONDS – Bankruptcy and Foreclosure Delays” and “– FDIC/Federal Government Interest in Properties.”

Sales of Tax-Defaulted Property Generally. A parcel securing delinquent installments of a Reassessment that is not sold pursuant to the judicial foreclosure proceeding as described above may be sold, subject to redemption by the parcel owner, in the same manner and to the same extent as real property sold for nonpayment of general County property taxes. On or before June 30 of the year in which such delinquency occurs, the parcel becomes tax-defaulted. This initiates a five-year period during which the parcel owner may redeem the parcel. At the end of the five-year period, the parcel becomes subject to sale by the County Treasurer-Tax Collector. Except in certain circumstances, as provided in the 1915 Act, the purchaser at any such sale takes such parcel subject to all delinquent installments of the Reassessment, interest and penalties, costs, fees, and other charges that are not satisfied by application of the sales proceeds and subject to all prior or co-equal liens.

Prepayment of Reassessments. A property owner may prepay its Reassessments and thereby cause a partial redemption of the AD Bonds and the Bonds. See “THE BONDS – Redemption – Extraordinary Redemption from Prepayments” and “RISK FACTORS RELATED TO THE BONDS – Potential Early Redemption of Bonds from Prepayments.”

The Special Taxes

Pledge Under CFD Bonds Fiscal Agent Agreement; Special Tax Revenues. Pursuant to the CFD Bonds Fiscal Agent Agreement, the CFD Bonds are secured by a first pledge of all Net Taxes (as defined below) and all moneys on deposit in certain funds created under the CFD Bonds Fiscal Agent Agreement. The term “Net Taxes” is defined in the CFD Bonds Fiscal Agent Agreement as all Gross Taxes less Administrative Expenses. The term “Gross Taxes” is defined in the CFD Bonds Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

All Gross Taxes received by the Community Facilities District will be directly deposited into the Special Tax Fund established under the CFD Bonds Fiscal Agent Agreement. It is expected that the Special Taxes levied by the City on behalf of the Community Facilities District will be collected for the City by the County Treasurer-Tax Collector in the same manner and at the same time as *ad valorem* property taxes are collected by the County. Special Taxes may, however, be collected by direct billing by the City of the affected property owners.

THE OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT UNDER THE CFD BONDS FISCAL AGENT AGREEMENT AND THE CFD BONDS ARE SPECIAL OBLIGATIONS OF THE

COMMUNITY FACILITIES DISTRICT, PAYABLE SOLELY FROM NET SPECIAL TAXES AND THE FUNDS PLEDGED THEREFOR UNDER THE CFD BONDS FISCAL AGENT AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE CFD BONDS.

The Special Taxes will be levied against Taxable CFD Property; they do not constitute a personal indebtedness of the respective property owners. There is no assurance that the property owners will be financially able to pay the annual Special Taxes or that they will pay such Special Taxes even if financially able to do so. See “RISK FACTORS RELATED TO THE BONDS - The CFD Bonds are Limited Obligations of the Community Facilities District.”

Rate and Method of Apportionment. The Rate and Method of Apportionment of Special Tax (the “Rate and Method of Apportionment”) for the Refunded 1988 CFD Bonds has not been amended and will continue to be used for the CFD Bonds. See “APPENDIX G – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR CFD BONDS.” Pursuant to the Rate and Method of Apportionment, the Special Tax shall be levied on each non-exempt lot or parcel within the Taxable CFD Property in sufficient amount to, among other things, (i) pay the principal of and interest on the CFD Bonds and (ii) pay the Administrative Expenses attributable to the CFD Bonds.

The Rate and Method of Apportionment establishes maximum tax rates for all of the following land use classifications (as such terms are defined in the Rate and Method of Apportionment): (i) High Rise Office (6 or more stories); (ii) Mid-Rise Office (3 to 6 stories); (iii) Garden Office/Research and Development (1 to 2 stories); (iv) Retail; (v) Restaurant/Savings & Loan/Bank/Service Station; (vi) Hotel/Motel; and (vii) Undeveloped Property (parcels for which a building permit has not been issued as of June 1 of the preceding Fiscal Year). The maximum tax rates for each of the categories described in (i) through (vii), inclusive, are subject to a 4% increase in each year. Based on the projected debt service on the CFD Bonds for calendar year 2006, the amount of Special Taxes that must be levied on the Taxable CFD Property is only 43% of the maximum Special Taxes that could be levied on such Taxable CFD Property.

As discussed under “THE DISTRICTS,” two of the eight parcels in the Community Facilities District that constitute the Taxable CFD Property are developed with office buildings that contain three to six stories.

Covenant to Commence Superior Court Foreclosure for Delinquent Special Taxes. Pursuant to Section 53356.1 of the Mello-Roos Act, the Community Facilities District has covenanted to cause the City, for and on behalf of the Community Facilities District, for the benefit of the registered owners of the CFD Bonds, to order and cause to be commenced as provided in the CFD Bonds Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the Superior Court to foreclose the lien of any Special Tax or installment thereof not paid when due. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such a judicial foreclosure sale is not mandatory under the Mello-Roos Act. However, pursuant to the CFD Bonds Fiscal Agent Agreement, the Community Facilities District has covenanted to cause the City, for and on behalf of the Community Facilities District, for the benefit of the registered owners of the CFD Bonds, to annually reconcile Special Tax levies and Special Tax collections and to initiate judicial foreclosure proceedings within ninety (90) days following the end of a Fiscal Year in which there is any delinquency in the payment of a Special Tax. The Community Facilities District’s covenant to cause the City, for and on behalf of the Community Facilities District, to initiate judicial foreclosure proceedings shall be honored notwithstanding that the annual installments of Special Taxes may be paid by the County pursuant to a Teeter Plan, should the County institute a Teeter Plan that includes the collection of the Special Taxes. Currently, no such Teeter Plan is in place with respect to the Special Taxes. The Community Facilities District has also covenanted to cause the City, for and on behalf of the Community Facilities District, to diligently prosecute to completion such foreclosure proceedings as may be necessary to collect the delinquent amounts.

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Mello-Roos Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale. See “RISKS FACTORS RELATED TO THE BONDS – Bankruptcy and Foreclosure

Delays” for a discussion of factors that could impact amounts, if any, to be realized by Owners as a result of a foreclosure sale.

Judicial Foreclosure Sale Proceedings. Section 53356.6 of the Mello-Roos Act requires that property sold pursuant to foreclosure under the Mello-Roos Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding CFD Bonds is obtained. However, under Section 53356.6 of the Mello-Roos Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” whereby the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the Redemption Account; provided, however, that this payment may be made up to 24 months after the date of the foreclosure sale. *The City has no obligation whatsoever to make any credit bid or purchase any property subject to delinquent Special Taxes and has no intention to do so.*

No assurance can be given that, in the event of a foreclosure proceeding, a parcel could be sold for the full amount of the delinquency or that any bid would be received for such parcel. See “RISK FACTORS RELATED TO THE BONDS – Land Values.” Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be substantially delayed by bankruptcy court proceedings, may be limited in certain other circumstances, and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation. See “RISK FACTORS RELATED TO THE BONDS – Bankruptcy and Foreclosure Delays” and “– FDIC/Federal Government Interest in Properties.”

Sales of Tax-Defaulted Property Generally. A parcel securing delinquent installments of Special Taxes that is not sold pursuant to the judicial foreclosure proceeding as described above may be sold, subject to redemption by the parcel owner, in the same manner and to the same extent as real property sold for nonpayment of general County property taxes. On or before June 30 of the year in which such delinquency occurs, the parcel becomes tax-defaulted. This initiates a five-year period during which the parcel owner may redeem the parcel. At the end of the five-year period, the parcel becomes subject to sale by the County Treasurer-Tax Collector. Except in certain circumstances, as provided in the Mello-Roos Act, the purchaser at any such sale takes such parcel subject to all delinquent installments of the Special Taxes, interest and penalties, costs, fees, and other charges that are not satisfied by application of the sales proceeds and subject to all prior or co-equal liens.

No Prepayment of Special Taxes. The Special Taxes may not be prepaid by the owners of Taxable CFD Property.

Bond Insurance

The scheduled payment of principal of and interest on the Series A Bonds when due will be guaranteed under the Series A Bond Insurance Policy to be issued concurrently with the delivery of the Series A Bonds by the Series A Bond Insurer. See “BOND INSURANCE FOR SERIES A BONDS” and “APPENDIX E – SERIES A BOND INSURANCE POLICY SPECIMEN.”

THE SERIES B BONDS ARE NOT INSURED AND HAVE NO CLAIM ON THE SERIES A BOND INSURANCE POLICY.

Priority of Liens

Priority of Reassessment Lien. The unpaid Reassessments levied on the parcels within the Assessment District and each installment thereof and any interest and penalties thereon constitute a lien against each such parcel until the same are paid. Generally, a special assessment 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 that may thereafter be created against the same property. However, such lien is on a parity with the lien of general property taxes, assessments, and any special taxes imposed, whether prior to or after the imposition of such special

assessment lien, against the same property pursuant to the Mello-Roos Act or other applicable legislation. There are liens for assessments and the recurring lien for general property taxes on parcels within the Assessment District. The lien of the Assessment District is subordinate to the lien of City of Oxnard Assessment District No. 86-4 (“AD 86-4”), maturing on September 2, 2006, which secures bonds that the City intends to fully redeem on September 2, 2005. The lien of the Assessment District is senior to the lien of City of Oxnard Assessment District No. 97-1-R (“AD 97-1-R”), maturing on September 2, 2006. See “THE DISTRICTS – Direct and Overlapping Debt.”

Priority of Special Tax Lien. The lien of the Special Taxes has priority over all private liens on the Taxable CFD Property whenever imposed. The lien of the Special Taxes is co-equal to and independent of the lien for general property taxes, fixed lien special assessments, and any other special taxes, including, without limitation, special taxes created pursuant to the Mello-Roos Act. The property within the Community Facilities District is currently subject to special taxes levied pursuant to the Mello-Roos Act for the City of Oxnard Boulevard/Highway 101 Interchange Project Community Facilities District No. 2000-3 (“CFD 2000-3”). See “THE DISTRICTS – Direct and Overlapping Debt.”

No Obligation of the City Upon Delinquency

The City is under no obligation to transfer any funds of the City into the AD Bonds Redemption Fund or the CFD Bond Service Fund for the payment of the principal of or interest on any of the AD Bonds or CFD Bonds, respectively, if a delinquency occurs in the payment of any Reassessments or Special Taxes, as applicable. See “The Reassessments – Covenant to Foreclose” and “The Special Taxes – Covenant to Commence Superior Court Foreclosure for Delinquent Special Taxes” above for a discussion of the City’s obligation to foreclose the Reassessment liens or Special Tax liens upon delinquencies thereof. Pursuant to Section 8769(b) 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 Reassessment installments collected. The Community Facilities District has no obligation to advance available funds to make up any deficiencies in the amount of Special Taxes.

BOND INSURANCE FOR SERIES A BONDS

The following information has been furnished by the Series A Bond Insurer for use in this Official Statement. Such information has not been independently confirmed or verified by the City or the Authority. No representation is made herein by the City or the Authority as to the accuracy or adequacy of such information or that the information contained and incorporated herein by reference is correct. Reference is made to Appendix E for a specimen of the Series A Bond Insurance Policy.

Series A Bond Insurance Policy

Concurrently with the issuance of the Series A Bonds, the Series A Bond Insurer will issue its Series A Bond Insurance Policy for the Series A Bonds. The Series A Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Series A Bonds when due as set forth in the form of the Series A Bond Insurance Policy included as Appendix E attached hereto.

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

The Series A Bond Insurer

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

At March 31, 2005, the Series A Bond Insurer's total policyholders' surplus and contingency reserves were approximately \$2,321,918,000 and its total unearned premium reserve was approximately \$1,672,672,000 in accordance with statutory accounting principles. At March 31, 2005, the Series A Bond Insurer's total shareholders' equity was approximately \$2,726,667,000 and its total net unearned premium reserve was approximately \$1,356,678,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Series A Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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

THE DISTRICTS

The Assessment District

Description of Assessment District. The Assessment District is comprised of 96 parcels with unpaid Reassessments encompassing approximately 296 acres located in the northeastern portion of the City. The Assessment District was formed to finance improvements to the interchange of Rose Avenue and U.S. 101.

The majority of the parcels within the Assessment District are covered by one of two specific plans previously adopted by the City: the Rose-Santa Clara Corridor Specific Plan and the Northeast Specific Plan. The Rose-Santa Clara Corridor Specific Plan is applicable to property located north of U.S. 101 and contains four primary land use designations: auto sales and service (approximately 71 acres), business park (approximately 57 acres), retail/commercial (approximately 36 acres), and commercial/manufacturing (approximately 40 acres). The Northeast Specific Plan is applicable to property located in the southern portion of the Assessment District and includes approved land uses ranging from low and medium density residential to mixed use. The St. John's Regional Medical Center is also located within the area of the Northeast Specific Plan.

Development Status and Property Ownership in the Assessment District. The Assessment District includes freeway-oriented, retail land uses. Included in the boundaries of the Assessment District are St. John's Regional Medical Center, the Shopping at the Rose shopping center, a Price Club, a Best Buy, and a number of other major retail entities. The owner whose properties bear the largest total amount of Reassessments is Donwen Corp., which owns 10 parcels representing approximately 13.2% of the total amount of Reassessments. Only one other owner, the McGaelic Group, owns property securing Reassessments that exceed 10% of the total amount of the Reassessments. The McGaelic Group owns 17 parcels representing approximately 12.7% of the total amount of Reassessments. The 10 property owners whose properties bear the highest Reassessments represent a total of approximately 72.4% of the aggregate amount of the unpaid Reassessments.

Pursuant to the County Assessor, there are 14 parcels in the Assessment District that show little to no value for structures associated with the parcels (and in the case of parcel 144-0-144-295, no land value is shown). Although little to no structural value is shown for these 14 parcels, the following three parcels have, or are associated with, improvements, as follows:

- Parcels 144-0-144-295 and 144-0-144-265 comprise the parking lot for The Marketplace Mall.
- Parcel 213-0-011-275 comprises the parking lot for The Rose II Mall.

In the tables below, all 14 parcels, including the three parcels described above, are referred to as the “AD Undeveloped Parcels.” Although the three parking lot parcels do not have any assessed structure value, they are part of other fully improved commercial parcels.

The following table summarizes the status of the development of the property within the Assessment District as of the date hereof:

TABLE 1

**SUMMARY OF DEVELOPMENT STATUS
IN ASSESSMENT DISTRICT**

	<u>Parcels</u>	<u>% of Parcels</u>	<u>Acreage</u>	<u>% of Total Acreage</u>	<u>Value</u>	<u>% of Total Value</u>	<u>Reassessment</u>	<u>% of Total Reassessment</u>
Developed	82	85%	237	80%	\$304,256,513	96%	\$4,717,049	81%
AD Undeveloped Parcels ⁽¹⁾	<u>14</u>	<u>15</u>	<u>59</u>	<u>20</u>	<u>13,821,088</u>	<u>4</u>	<u>1,137,951</u>	<u>19</u>
Total	<u>96</u>	<u>100%</u>	<u>296</u>	<u>100%</u>	<u>\$318,077,601</u>	<u>100%</u>	<u>\$5,855,000</u>	<u>100%</u>

⁽¹⁾ Three of the 14 parcels deemed AD Undeveloped Parcels by the County have improvements associated with them.
Source: NBS Government Finance Group; compiled by the Underwriter.

The following table sets forth the estimated assessed values of, and the Reassessment liens against, the 14 AD Undeveloped Parcels within the Assessment District:

TABLE 2

**SUMMARY OF ESTIMATED ASSESSED VALUES AND REASSESSMENT LIENS
FOR THE AD UNDEVELOPED PARCELS WITHIN ASSESSMENT DISTRICT**

<u>Assessor Parcel Number</u>	<u>Owner(s)</u>	<u>Acreage</u>	<u>Land Value</u>	<u>Structure Value</u>	<u>Total Value</u>	<u>Reassessment Lien</u>
142-0-211-075	MCGRATH-RHD PARTNERS	0.11	\$ 72,018	\$ 7,553	\$ 79,571	\$ 3,204
144-0-134-055	DCH INVESTMENTS INC	0.88	460,000	0	460,000	10,006
144-0-141-015	CASDEN OXNARD LLC	15.03	5,248,208	0	5,248,208	241,861
144-0-141-025	CASDEN OXNARD LLC	3.83	1,337,248	0	1,337,248	61,632
144-0-141-035	CASDEN OXNARD LLC	6.36	2,220,434	0	2,220,434	106,689
144-0-144-265	DONWEN CORPORATION LESSOR	0.17	60,000	0	60,000	4,473
144-0-144-295	DONWEN CORPORATION LESSOR	15.90	0 ⁽¹⁾	0	0	418,575
213-0-011-205	GRAHAM, GEORGE A JR	0.63	109,477	4,116	113,593	18,057
213-0-011-275	GRAHAM, GEORGE A JR	0.45	328,510	0	328,510	13,102
213-0-011-285	MCGAELIC GROUP	0.48	18,748	0	18,748	15,436
213-0-031-250	MCGAELIC GROUP	1.28	24,643	0	24,643	20,598
213-0-031-260	MCGAELIC GROUP	1.56	30,009	0	30,009	25,103
213-0-090-075	PACIFIC WEST CORP CENTER II	0.52	190,740	0	190,740	8,686
213-0-090-105	KAVLI, FRED	<u>11.85</u>	<u>3,709,384</u>	<u>0</u>	<u>3,709,384</u>	<u>190,532</u>
14 Parcels		<u>59.05</u>	<u>\$13,809,419</u>	<u>\$11,669</u>	<u>\$13,821,088</u>	<u>\$1,137,951</u>

(1) The County records show a \$0 land value for assessor’s parcel number 144-0-144-295. This parcel comprises a portion of a parking lot for The Marketplace Mall. The other parcel that comprises the remainder of the parking lot, assessor’s parcel number 144-0-144-265, has an assessed land value of \$60,000 for 0.17 acres.

Note: The bolded parcels in the table above are the three improved parcels described herein as part of the AD Undeveloped Parcels.
Source: NBS Government Finance Group; compiled by the Underwriter.

The following table lists the top ten taxpayers in the Assessment District. As shown below, property owned by the top ten taxpayers is responsible for approximately 72.4% of the Reassessments.

TABLE 3

**TOP TEN TAXPAYERS
IN ASSESSMENT DISTRICT**

<u>Property Owner</u>	<u>Total Parcels</u>	<u>Developed Parcels</u>	<u>Outstanding Reassessments</u>	<u>% of Total Reassessments</u>	<u>Assessed Value</u>
DONWEN CORPORATION ⁽¹⁾	10	8	\$ 772,783	13.20%	\$ 33,735,236
MCGAELIC GROUP ⁽²⁾	17	14	741,144	12.66	29,470,473
WAL-MART STORES CX	4	4	466,048	7.96	15,687,513
MCGRATH-RHD PARTNERS	12	12	438,875	7.50	18,916,970
CASDEN OXNARD LLC	3	0	410,182	7.01	8,805,890
LIBAW FAMILY LP LESSOR	1	1	391,414	6.69	14,375,000
KAVLI, FRED	3	2	308,551	5.27	10,123,715
ST. JOHNS REGIONAL MEDICAL CENTER LESSOR	1	1	270,222	4.62	25,123,806
OXNARD REDHILL PARTNERS ⁽³⁾	5	5	236,196	4.03	15,071,308
DCH INVESTMENTS INC.	<u>4</u>	<u>3</u>	204,374	3.49	<u>20,432,275</u>
Top Ten Totals	60	50	\$4,239,789	72.41%	\$191,742,186
Other AD 96-1 Property	<u>36</u>	<u>32</u>	<u>\$1,615,211</u>	<u>27.59</u>	<u>\$126,335,415</u>
Totals	<u>96</u>	<u>82</u>	<u>\$5,855,000</u>	<u>100.00%</u>	<u>\$318,077,601</u>

Source: NBS Government Finance Group; compiled by the Underwriter.

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Estimated Assessed Value-to-Lien Ratios in Assessment District. The following table sets forth the number of parcels in the Assessment District within various ranges of estimated assessed value-to-lien ratios. As summarized above, the estimated assessed value-to-lien ratio for all parcels within the Assessment District is approximately 41.8:1, including AD 86-4 and AD 97-1-R, but the ratios for individual parcels vary widely. The AD 86-4 lien matures on September 2, 2006; provided, however, that the City intends to fully redeem the bonds secured by such lien on September 2, 2005. The AD 97-1-R lien matures on September 2, 2006. The value-to-lien ratio based on the AD 96-1 reassessment lien is approximately 54.3:1. The value of the individual parcels is significant because, in the event of a delinquency in payment, the City’s only remedy is to foreclose on the delinquent parcel. A parcel with a lower value-to-lien ratio may be less likely to sell at foreclosure or provide sale proceeds adequate to pay all delinquent Reassessment installments. See “SECURITY FOR THE BONDS – The Reassessments – Judicial Foreclosure Sale Proceedings” and “– The Reassessments – Sales of Tax-Defaulted Property Generally,” and “RISK FACTORS RELATED TO THE BONDS – Land Values.”

TABLE 4
SUMMARY OF RANGES OF
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS
IN ASSESSMENT DISTRICT

<u>Estimated Assessed Value-to-Lien Ratio</u>	<u>No. of Parcels</u>	<u>Assessed Value</u>	<u>Reassessment Lien ⁽¹⁾</u>	<u>Percentage of Total Assessed Value</u>
0.00 to 2.99:1	4 ⁽²⁾	\$ 73,400	\$ 479,711	8.2%
3.00 to 9.99:1	2	814,012	103,390	1.8%
10.00 to 14.99:1	2	540,296	40,036	0.7%
15.00 to 19.99:1	3	4,122,680	212,387	3.6%
20.00 to 29.99:1	10	12,597,186	580,205	9.9%
30.00 to 39.99:1	8	46,190,932	1,318,046	22.5%
40.00 to 49.99:1	13	27,566,685	593,136	10.1%
Greater than 50:1	<u>54</u>	<u>226,172,410</u>	<u>2,528,090</u>	<u>43.2%</u>
Totals	<u>96</u>	<u>\$318,077,601</u>	<u>\$5,855,000</u>	<u>100.0%</u>

(1) Excludes the AD 97-1-R (\$50,577) lien maturing September 2, 2006 and the AD 86-4 (\$1,705,000) lien maturing September 2, 2006 (which secures bonds that the City intends to fully redeem on September 2, 2005). If the liens of AD 97-1-R and AD 86-4 are considered in the calculation of the overall assessed value-to-lien ratio, then the estimated assessed value-to-lien ratio for all parcels within the Assessment District is approximately 41.8:1.

(2) These four (4) parcels include the following: (a) a 15.90-acre parcel (assessor’s parcel number 144-0-144-295), which comprises a portion of a parking lot for The Marketplace Mall, and (b) three (3) parcels (assessor’s parcel numbers 213-0-011-285, 213-0-031-250, and 213-0-031-260), which have not been developed. None of these four (4) parcels has been delinquent in the payment of assessments within the past five (5) years.

Source: NBS Government Finance Group; compiled by the Underwriter.

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The Community Facilities District

Description of the Community Facilities District. The Community Facilities District is comprised of approximately 211 acres located in the northwestern portion of the City, north of U.S. 101 and east of the Santa Clara River. The Community Facilities District was formed in 1988 in order to finance certain roadway, drainage, sewer, water, and other public improvements necessary to support a multi-use development called the “Oxnard Town Center,” which development is located on approximately 265 acres in and around the Community Facilities District. As of the date of this Official Statement, only approximately 30 acres (referred to herein as the Taxable CFD Property) of the total 211 acres in the Community Facilities District are subject to the Special Taxes. The Taxable CFD Property is zoned for retail and office uses, and currently includes two fully-occupied office buildings.

Development Status and Property Ownership of the Taxable CFD Property. The Taxable CFD Property includes eight parcels. Six of these parcels have not been improved and are currently designated as “Undeveloped” for purposes of the Rate and Method of Apportionment (collectively, the “CFD Undeveloped Parcels”). The eight parcels of Taxable CFD Property are described as follows:

- **The RiverPark Gateway LTD Property.** RiverPark Gateway LTD owns three CFD Undeveloped Parcels within the Taxable CFD Property. The development of the RiverPark Gateway LTD property is governed by the RiverPark Specific Plan. RiverPark Gateway LTD intend to construct three single-story and five two-story condominium office buildings on this property, totaling approximately 74,828 square feet. On January 11, 2005, the City Council approved Planning and Zoning Permit No. 04-300-07 (Tentative Subdivision Map) and Special Use Permit PZ 204-200-06 (Special Use Permit) in connection with the development of this property.
- **The Santa Clara Development LTD Property.** Santa Clara Development LTD own two CFD Undeveloped Parcels within the Taxable CFD Property. Santa Clara Development LTD has no current plans to develop these parcels.
- **The RiverPark A LLC Property.** RiverPark A LLC owns one CFD Undeveloped Parcel within the Taxable CFD Property. There are no present plans for developing this parcel, although RiverPark A LLC and its affiliates are in the process of developing a large mixed use development adjacent to (and formerly part of) the Community Facilities District.
- **The State Compensation Insurance Fund Property.** The State Compensation Insurance Fund, a California state agency, owns one parcel within the Taxable CFD Property that is currently developed with a three-story, “Class A” building that includes approximately 114,835 square feet of space. The building is fully-occupied by the State Compensation Insurance Fund.
- **The Arden Realty LTD Property.** Arden Realty LTD owns one parcel within the Taxable CFD Property that is currently developed with a 6-story, “Class A” building that includes 107,656 square feet of space. The building is currently fully-occupied; however, one of the tenants, Kinko’s, has expressed its intention to vacate the premises by August 2006, which will make available approximately 65,300 square feet of space for lease. One 7,854 square-foot suite will be available in October 2005 and two suites totaling 12,978 square feet will be available in January 2006. The remaining three suites totaling 44,471 square feet are expected to be available in August 2006. Arden Realty is currently seeking tenants for these spaces. The pending vacancies account for approximately 60% of the leasable space in the building.

Estimated Assessed Value-to-Lien Ratios in the Taxable CFD Property. The following table sets forth the parcels within the Taxable CFD Property and their estimated assessed value-to-lien ratios. The estimated Special Tax value-to-lien ratio for all parcels within the Taxable CFD Property is approximately 15.67:1, including the CFD 2000-3 lien applicable to the Taxable CFD Property, but the ratios for individual parcels within the Taxable CFD Property vary widely. The value of such individual parcels is significant because, in the event of a delinquency in payment of the Special Taxes, the only remedy available to the City is to foreclose on the delinquent parcel. A parcel with a lower value-to-lien ratio may be less likely to sell at foreclosure or provide sale proceeds adequate to

pay all delinquent Special Taxes. See “SECURITY FOR THE BONDS – The Special Taxes – Judicial Foreclosure Sale Proceedings” and “– The Special Taxes – Sale of Tax-Defaulted Property Generally,” and “RISK FACTORS RELATED TO THE BONDS – Land Values.”

TABLE 5

**SUMMARY OF ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS
FOR TAXABLE CFD PROPERTY**

<u>Assessor's Parcel Number</u>	<u>Owner(s)</u>	<u>Total Acres / Developed Sq. Ft.</u>	<u>Development Status</u>	<u>Assessed Value</u>	<u>2005-06 Estimated Special Tax ⁽¹⁾</u>	<u>Outstanding CFD Bond Principal ⁽¹⁾</u>	<u>Assessed Value to Lien</u>
132-0-100-045	RiverPark Gateway LTD	2.41 acres	Undeveloped	\$ 774,009	\$21,190.78	\$ 164,083.07	4.72:1
132-0-100-055	RiverPark Gateway LTD	4.03 acres	Undeveloped	1,294,520	23,386.56	274,386.14	4.72:1
132-0-100-085	Santa Clara Development LTD	1.30 acres	Undeveloped	565,000	19,687.76	88,524.66	6.38:1
132-0-100-095	Santa Clara Development LTD	2.93 acres	Undeveloped	1,085,000	21,895.90	199,492.95	5.44:1
132-0-100-105	Arden Realty LTD	106,373 sq. ft.	Developed	15,217,187	25,378.22	535,037.06	28.44:1
132-0-100-115	RiverPark A LLC	1.52 acres	Undeveloped	539,895	19,984.66	103,487.17	5.22:1
132-0-100-145	RiverPark Gateway LTD	0.12 acres	Undeveloped	39,455	18,086.78	8,146.67	4.84:1
132-0-100-155	State Compensation Insurance Fund	114,835 sq. ft.	Developed	<u>11,522,300</u>	<u>28,242.00</u>	<u>607,290.27</u>	<u>18.97:1</u>
Totals				<u>\$31,037,366</u>	<u>\$52,376.94</u>	<u>\$1,980,448.00</u>	<u>15.67:1</u>

(1) Includes CFD 88-1 and CFD 2000-3 special taxes.
Source: NBS Government Finance Group; compiled by the Underwriter.

The CFD Undeveloped Parcels in the Taxable CFD Property is responsible for approximately 41% of the Special Tax levy. As discussed herein, the CFD Undeveloped Parcels have not been delinquent in the payment of Special Taxes in the last five years. However, because the Special Tax levy in the Taxable CFD Property is only 43% of the maximum Special Taxes that could be levied thereon, assuming the six CFD Undeveloped Parcels stopped paying Special Taxes altogether, the maximum Special Tax on the two developed parcels in the Taxable CFD Property would be sufficient to pay the debt service on the CFD Bonds.

Debt Service Coverage

The following table illustrates the estimated debt service coverage on the Bonds from Revenues, which are comprised of the debt service on the Acquired Obligations. The debt service coverage shown in the following table is based on the assumption that the debt service on the Acquired Obligations is paid when due. If there are delinquencies in the payment of debt service on the Acquired Obligations, the estimated debt service coverage shown in the following table will not be realized. See “Delinquency History” below and “RISK FACTORS RELATED TO THE BONDS” for a description of certain events that would increase the likelihood of payment delinquencies, particularly on the AD Undeveloped Parcels, which is currently responsible for approximately 19% of the Reassessments in the Assessment District, and on the CFD Undeveloped Parcels, which is currently responsible for approximately 41% of the Special Taxes in the Taxable CFD Property.

TABLE 6

ESTIMATED DEBT SERVICE COVERAGE FROM REVENUES

<u>Bond Year</u>	<u>Revenues</u>			<u>Series A Bonds and B Bonds Debt Service</u>			<u>Estimated Coverage</u>	
	<u>AD Bonds</u>	<u>CFD Bonds</u>	<u>Total</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>	<u>Series A Bonds</u>	<u>Series A Bonds and Series B Bonds</u>
2006	\$ 705,019.00	\$ 212,938.21	\$ 917,957.21	\$ 603,383.88	\$ 282,404.69	\$ 885,788.57	152%	104%
2007	707,454.00	214,625.96	922,079.96	600,222.50	286,522.50	886,745.00	154	104
2008	710,747.50	218,987.90	929,735.40	607,022.50	285,422.50	892,445.00	153	104
2009	707,793.50	217,911.90	925,705.40	603,222.50	288,555.00	891,777.50	153	104
2010	708,841.50	226,552.50	935,394.00	619,122.50	285,600.00	904,722.50	151	103
2011	708,642.00	234,540.30	943,182.30	618,372.50	292,020.00	910,392.50	153	104
2012	702,195.00	236,854.30	939,049.30	621,377.50	292,620.00	913,997.50	151	103
2013	704,750.00	<u>238,654.90</u>	943,404.90	622,920.00	292,330.00	915,250.00	151	103
2014	705,808.00		705,808.00	463,217.50	216,492.50	679,710.00	152	104
2015	705,369.00		705,369.00	458,070.00	218,227.50	676,297.50	154	104
2016	<u>703,433.00</u>		<u>703,433.00</u>	<u>462,132.50</u>	<u>214,327.50</u>	<u>676,460.00</u>	<u>152</u>	<u>104</u>
Totals/Averages	<u>\$7,770,052.50</u>	<u>\$1,801,065.97</u>	<u>\$9,571,118.47</u>	<u>\$6,279,063.88</u>	<u>\$2,954,522.19</u>	<u>\$9,233,586.07</u>	<u>152%</u>	<u>104%</u>

Source: Underwriter.

Delinquency History

Reassessment Delinquencies. There have been no delinquencies in the payment of Reassessments levied on the parcels in the Assessment District during the last five fiscal years.

Special Tax Delinquencies. There have been no delinquencies in the payment of Special Taxes levied on the Taxable CFD Property during the last five fiscal years. No other property in the Community Facilities District has been subject to any Special Taxes during such time period.

Direct and Overlapping Debt

Set forth in the following tables are the existing and authorized indebtedness payable from taxes, assessments, and fixed charges that may be levied on property within the Districts. As of the date hereof, there was \$7,610,577 of debt secured by assessments levied on land within the Assessment District (including the Reassessments). The lien of the Assessment District is co-equal to and independent of the lien for *ad valorem* taxes, subordinate to the AD 86-4 lien maturing on September 2, 2006 (which secures bonds that the City intends to fully redeem on September 2, 2005), and senior to the AD 97-1-R lien maturing on September 2, 2006. As of the date hereof, there was approximately \$2,015,448 of debt secured by special taxes levied on land within the Taxable CFD Property (including the Special Taxes). The lien of the Community Facilities District is co-equal to the lien of the CFD 2000-3. The boundaries of CFD 2000-3 encompass all of the Taxable CFD Property. Bonds for CFD 2000-3 were issued on February 6, 2003, in the aggregate principal amount of \$10,490,000, of which approximately \$450,448 is secured by property within the Taxable CFD Property. Under the rate and method of apportionment of special tax for CFD 2000-3, the maximum CFD 2000-3 special tax that may be levied on the Taxable CFD Property is as shown below:

TABLE 7

**MAXIMUM ANNUAL CFD 2000-3 SPECIAL TAX
APPLICABLE TO TAXABLE CFD PROPERTY**

Assessor's Parcel Number	Owner(s)	Maximum Annual Special Tax in CFD 2000-3
132-0-100-045	RiverPark Gateway LTD	\$ 4,855.74
132-0-100-055	RiverPark Gateway LTD	8,120.49
132-0-100-085	Santa Clara Development LTD	2,621.00
132-0-100-095	Santa Clara Development	5,904.14
132-0-100-105	Arden Realty LTD	11,081.75
132-0-100-115	RiverPark A LLC	3,062.43
132-0-100-145	RiverPark Gateway LTD	239.11
132-0-100-155	State Compensation Insurance Fund	15,339.72

The presence of overlapping debt issued by the City on property in the Districts complicates and could delay the foreclosure process in the event of delinquencies. See "RISK FACTORS RELATED TO THE BONDS – Direct and Overlapping Indebtedness."

The City has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the Assessment District or the Community Facilities District that may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property therein. Other public agencies may issue additional indebtedness on property within the Assessment District or the Community Facilities District at any time. Furthermore, nothing prevents the owners of property within the Assessment District or the Taxable CFD Property from consenting to the issuance of additional debt by other governmental agencies that would be secured by taxes on a parity with the Reassessments or Special Taxes, as applicable, or assessments that would be subordinate to the Reassessments or Special Taxes, as applicable. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Mello-Roos Act, or taxes, such assessments, special taxes, and taxes will be secured by liens on the property within the Assessment District or the Taxable CFD Property, as applicable.

Accordingly, the debt on the property within the Assessment District or the Taxable CFD Property, as applicable, could increase, without any corresponding increase in the value of the subject property. The imposition of such additional indebtedness could reduce the willingness and ability of the property owners within the Assessment District or the Taxable CFD Property, as applicable, to pay the Reassessments or Special Taxes, as applicable, when due. Moreover, in the event of a delinquency in the payment of Reassessments or Special Taxes, as applicable, no assurance can be given that the proceeds of any foreclosure sale of property with delinquent Reassessments or Special Taxes, as applicable, would be sufficient to pay the delinquent Reassessments or Special Taxes. See “RISK FACTORS RELATED TO THE BONDS – Land Values.”

The information in the following Table 8 and Table 9 has been obtained from California Municipal Statistics, Inc. Neither the City nor the Authority has independently verified or guarantees such information.

The following table sets forth information regarding the assessed valuation of, and the direct and overlapping debt applicable to, the property within the Assessment District:

TABLE 8
ASSESSED VALUATION AND DIRECT AND OVERLAPPING DEBT
FOR ASSESSMENT DISTRICT
(As of March 1, 2005)

<u>2004-05 Local Secured Assessed Valuation:</u> \$291,363,429		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 03/01/05</u>
Metropolitan Water District	0.022%	\$80,556
Ventura Community College District	0.374	258,808
Oxnard Union High School District	1.183	601,732
Rio School District	9.850	1,782,850
City of Oxnard Assessment District No. 97-1-R ⁽¹⁾	0.701	50,577
City of Oxnard Assessment District No. 86-4 ⁽²⁾	100.	1,705,000
City of Oxnard Assessment District No. 96-1	100.	5,855,000 ⁽³⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$10,334,423</u>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>	<u>% Applicable ⁽⁴⁾</u>	<u>Debt 3/1/05</u>
Ventura County General Fund Obligations	0.400%	\$ 395,900
Ventura County Pension Obligations	0.400	222,000
Ventura County Superintendent of Schools Certificates of Participation	0.400	55,420
Ventura County Community College District Certificates of Participation	0.401	29,233
Oxnard Union High School District General Fund Obligations	1.269	141,430
Rio School District Certificates of Participation	10.306	563,223
City of Oxnard General Fund Obligations	2.828	<u>785,766</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>\$2,192,972</u>
COMBINED TOTAL DEBT		<u>\$12,527,395</u> ⁽⁵⁾

⁽¹⁾ Lien matures on September 2, 2006.

⁽²⁾ Lien matures on September 2, 2006; however, City expects to redeem all bonds on September 2, 2005.

⁽³⁾ Refunding Assessment District Bonds to be sold. Excludes bonds to be refunded.

⁽⁴⁾ Based on redevelopment adjusted all property assessed valuation of \$289,236,693.

⁽⁵⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2004-05 Assessed Valuation:

Direct Debt (\$5,855,000)	2.00%
Total Direct and Overlapping Tax and Assessment Debt.....	3.55%
Combined Total Debt	4.30%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$0

Source: California Municipal Statistics, Inc.

The following table sets forth information regarding the assessed valuation of, and the direct and overlapping debt applicable to, the property within the Community Facilities District:

TABLE 9

**ASSESSED VALUATION AND DIRECT AND OVERLAPPING DEBT
FOR COMMUNITY FACILITIES DISTRICT
(As of April 1, 2005)**

<u>2004-05 Local Secured Assessed Valuation: \$31,037,366</u>		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/05</u>
Metropolitan Water District	0.001%	\$ 4,182
Ventura Community College District	0.040	27,594
Oxnard Union High School District	0.126	64,112
Rio School District	1.049	189,910
City of Oxnard Community Facilities District No. 88-1	100.	1,530,000 ⁽¹⁾
City of Oxnard Boulevard/Highway 101 Interchange Project		
Community Facilities District No. 2000-3	4.444	<u>450,448</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,266,246
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>	<u>% Applicable⁽²⁾</u>	<u>Debt 4/1/05</u>
Ventura County General Fund Obligations	0.023%	\$ 23,204
Ventura County Pension Obligations	0.023	13,012
Ventura County Superintendent of Schools Certificates of Participation	0.023	3,248
Ventura County Community College District Certificates of Participation	0.023	1,710
Oxnard Union High School District General Fund Obligations	0.074	8,277
Rio School District Certificates of Participation	0.603	32,970
City of Oxnard General Fund Obligations	0.166	<u>46,004</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$128,425
COMBINED TOTAL DEBT		\$2,394,671 ⁽³⁾

⁽¹⁾ Refunding Mello Roos Act bonds to be sold. Excludes bonds to be refunded.
⁽²⁾ Based on redevelopment adjusted all property assessed valuation of \$16,931,341.
⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2004-05 Assessed Valuation:

Direct Debt (\$1,530,000)	4.93%
Total Direct and Overlapping Tax and Assessment Debt.....	7.30%
Combined Total Debt	7.72%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$0

Source: California Municipal Statistics, Inc.

RISK FACTORS RELATED TO THE BONDS

Although the Series A Bonds (but not the Series B Bonds) will be insured, 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 that 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.

The Bonds are Limited Obligations of the Authority

Funds for the payment of the principal of and interest on the Bonds are derived from debt service payments on the Acquired Obligations, which are derived only from annual Reassessment installments and Special Taxes, as applicable. While a coverage factor has been established in structuring the annual debt service on the Acquired Obligations (see “THE DISTRICTS – Debt Service Coverage”), the amount of annual Reassessment installments and Special Taxes that are collected by the City could be insufficient to pay principal of and interest on the applicable Acquired Obligations due to non-payment of such annual Reassessment installments or Special Taxes, as applicable, or due to insufficient proceeds received from a judicial foreclosure sale of land within the Assessment District or the Taxable CFD Property, as applicable, following a delinquency. The obligation of the Authority to advance the amount of delinquencies to the Trustee is strictly limited to funds on deposit in the Senior Reserve Fund and the Subordinate Reserve Fund established and held by the Trustee pursuant to the Indenture. The City’s legal obligations with respect to any delinquent Reassessment installments or Special Taxes are limited to the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which the Reassessment installment or Special Tax, as applicable, is delinquent. The City has determined that it will not obligate itself to advance funds from its treasury to cover any delinquency on the Reassessments or payments on the Acquired Obligations. The Community Facilities District has no obligation to advance available funds to make up any deficiencies in the amount of Special Taxes. The Bonds cannot be accelerated in the event of any default.

The AD Bonds are Limited Obligations of the City

Pursuant to Section 8769(b) 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 Reassessment installments collected.

Sustained failure by property owners to pay Reassessment installments when due and the inability of the City to sell parcels which have become subject to judicial foreclosure proceedings for amounts sufficient to cover the delinquent Reassessment installments will likely result in the inability of the City to make full or punctual payments of principal of or interest on the AD Bonds, which could deplete the Senior Reserve Fund and the Subordinate Reserve Fund securing the Bonds and result in a default on the Bonds.

Under the provisions of the 1915 Act, Reassessment installments will be billed to the owner of each parcel in the Assessment District against which there is an unpaid Reassessment, with such billing to be made on the regular property tax bills sent to such owners. The Reassessment 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 Reassessment installments does not constitute a personal obligation of the current or subsequent owners of the respective parcels in the Assessment District that are subject to the Reassessment liens. Enforcement of Reassessment payment obligations by the City is limited to judicial foreclosure in the 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 a Reassessment lien will be able to pay the Reassessment installments or that such owner will choose to pay such installments even though financially able to do so.

The CFD Bonds are Limited Obligations of the Community Facilities District

Neither the City nor the Community Facilities District is obligated to advance available funds from the City's treasury to make up deficiencies in the amount of Special Taxes collected.

Sustained failure by property owners to pay Special Taxes when due and the inability of the City to sell parcels which have become subject to judicial foreclosure proceedings for amounts sufficient to cover the delinquent Special Taxes will likely result in the inability of the Community Facilities District to make full or punctual payments of principal of or interest on the CFD Bonds, which could deplete the Senior Reserve Fund and Subordinate Reserve Fund securing the Bonds and result in a default on the Bonds.

The Mello-Roos Act provides that if any property within the Community Facilities District not otherwise exempt from the Special Taxes is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Taxes will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Mello-Roos Act provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes with respect to that property is to be treated as if it were a special assessment and paid from the eminent domain award. The constitutionality and operative effect of these provisions of the Mello-Roos Act have not been tested in the courts. If, for any reason, property subject to the Special Taxes becomes exempt from taxation by reason of ownership by the federal government, subject to the limitation of the maximum authorized Special Taxes and any other limitation on the Special Tax rate imposed by the Community Facilities District or the City, the maximum Special Tax that could be levied upon the remaining Taxable CFD Property might not be sufficient to make the payments required to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels in the Taxable CFD Property. Enforcement of Special Tax payment obligations by the City, for and on behalf of the Community Facilities District, is limited to judicial foreclosure in the County Superior Court pursuant to Section 53356.1 *et seq.* of the California Government Code. There is no assurance that any current or subsequent owner of a parcel subject to a Special Tax lien will be able to pay the Special Taxes or that such owner will choose to pay such installments even though financially able to do so.

Potential Early Redemption of Bonds from Prepayments

Property owners within the Assessment District are permitted to prepay their Reassessments at any time. Prepayments of Reassessments will result in redemption of all or a portion of the AD Bonds (depending on the size of the prepayments). The proceeds of the AD Bonds so redeemed will then be used to make an extraordinary redemption of the Bonds. The Series A Bonds and the Series B Bonds will be called on a *pro rata* basis from the proceeds of the AD Bonds redeemed from prepayments. See "THE BONDS – Redemption – Extraordinary Redemption from Prepayments." The Special Taxes may not be prepaid by the owners of the Taxable CFD Property.

Concentration of Ownership

Ten (10) property owners own property in the Assessment District that is responsible for approximately 72.4% of the Reassessments and five (5) property owners own 100% of the Taxable CFD Property. The timely payment of the principal of and interest on the Bonds depends upon the willingness and ability of the current and future property owners in the Assessment District and the Taxable CFD Property to pay the Reassessment installments and Special Taxes, as applicable, when due. General and local economic conditions and governmental requirements or restrictions may affect the willingness of the current property owners, or any successor property owners, to pay the Reassessment installments and Special Taxes, as applicable, and there is no assurance that the current property owners, or any successor property owners, will pay such Reassessment installments and Special Taxes, as applicable, even if financially able to do so. Due to the concentration of ownership of the property within the Assessment District and the Taxable CFD Property, a failure by the current property owners or successor property owners to pay the Reassessment installments and Special Taxes, as applicable, may result in a default in the payment of debt service on the Bonds. See "THE DISTRICTS."

Direct and Overlapping Indebtedness

The ability of a property owner within the Assessment District or the Taxable CFD Property to pay the Reassessment installments or Special Taxes, as applicable, could be adversely affected by the existence of other taxes and assessments imposed upon such owner's property. In addition, other public agencies whose boundaries overlap those of the Assessment District or the Community Facilities District could, without the consent of the City or the Community Facilities District, as applicable, and in certain cases without the consent of property owners, impose additional taxes or assessment liens on the property within the Assessment District or the Taxable CFD Property to finance public improvements to be located inside or outside the Assessment District or the Community Facilities District, as applicable. See "THE DISTRICTS – Direct and Overlapping Debt" for a discussion of the direct and overlapping indebtedness pertaining to the Districts.

There are three City-sponsored assessment liens in the Assessment District: (i) the lien of the Assessment District, (ii) the lien of AD 86-4, and (iii) the lien of AD 97-1-R. In the event of a delinquency in the payment of Reassessments levied on the property in the Assessment District, it is likely that the property would also be delinquent on all other assessment districts encumbering the property. The foreclosure on property with overlapping assessment liens is both complicated and time-consuming and could delay recovery of the delinquencies through foreclosure sale. If, however, the delinquent property is sold at foreclosure, the proceeds of the sale would be distributed according to the priority of the assessment liens. For the property in the Assessment District, the priority of the liens are as follows: (a) the lien of AD 86-4; (b) the lien of the Assessment District; and (c) the lien of AD 97-1-R. The lien of AD 86-4 matures on September 2, 2006; provided, however, that the City intends to fully redeem the bonds secured by such lien on September 2, 2005. The lien of AD 97-1-R matures on September 2, 2006.

There are two City-sponsored special tax liens in the Community Facilities District: (i) the lien of the Community Facilities District (applicable to the Taxable CFD Property) and (ii) the lien of CFD 2000-3. In the event of a delinquency in the payment of Special Taxes levied on the Taxable CFD Property, it is likely that all other special taxes encumbering the Taxable CFD Property would be delinquent as well. The foreclosure on property with overlapping special tax liens is both complicated and time-consuming and could delay recovery of the delinquent Special Taxes through foreclosure sale. If, however, the delinquent property is sold at foreclosure, the proceeds of the sale would be distributed according to the priority of the special tax liens. Under the Mello-Roos Act, the liens of all special taxes, including the Special Taxes, are of equal parity.

Risks of Real Estate Secured Investments Generally

The Owners 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 Assessment District or the Community Facilities District, as applicable, the supply of or demand for competitive properties in such area, and the market value of commercial and industrial buildings and sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and laws relating to threatened and endangered species) and fiscal policies, and (iii) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses.

Failure to Develop Property; Future Land Use Regulations and Growth Control Initiatives

Approximately 19% of the Reassessments is secured by liens on AD Undeveloped Parcels in the Assessment District, and the assessed value-to-lien ratio (for the Reassessments only, excluding the lien of AD 97-1-R and AD 86-4) for such AD Undeveloped Parcels is approximately 12.15:1. Approximately 41% of the Special Taxes is secured by liens on CFD Undeveloped Parcels in the Taxable CFD Property, and the assessed value-to-lien ratio (for both the lien of the Community Facilities District and CFD 2000-3) for such CFD Undeveloped Parcels is approximately 5.13:1. If a developer, merchant builder, or subsequent purchaser or property owner in the Assessment District or the Taxable CFD Property, as applicable, experiences financial difficulties and is unwilling or unable to pay the annual Reassessment installments or Special Taxes, as applicable, when due, such nonpayment could result in a default in the payments of principal of and interest on the related issue of Acquired Obligations, which could result in the total depletion of the Senior Reserve Fund and the Subordinate Reserve Fund prior to the

replenishment thereof from the resales of property upon a foreclosure. In that event, there could be a default in payment of the principal of and interest on the Bonds.

The motivation of the present or future owners of the AD Undeveloped Parcels in the Assessment District or the CFD Undeveloped Parcels in the Taxable CFD Property to pay the Reassessment installments or Special Taxes, as applicable, when due may be diminished in the event significant delays are experienced in development efforts in the Assessment District or Taxable CFD Property, as applicable. Further development of property in the Assessment District or Taxable CFD Property, as applicable, may also be affected by changes in general economic conditions, fluctuations in the real estate market, changes in the ownership of the applicable land, changes in the income tax treatment of real property ownership, availability of utilities at a reasonable cost, and other factors. In addition, any proposed development is subject to existing and future federal, state, and local regulations. Approval will be required from various public agencies in connection with the design, nature, and extent of the required public improvements, and such matters as land use and zoning. Failure to meet any such future regulations or obtain any such approvals in a timely manner could delay or adversely affect any proposed development of the parcels of land in the Assessment District or the Taxable CFD Property.

Under current California law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been properly issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on such permits. There can be no assurance that land development within the Assessment District or the Community Facilities District will not be adversely affected by future governmental policies or growth control initiatives, including, but not limited to, governmental policies or initiatives to restrict or control development or further governmental regulation and protection.

In the past, a number of communities in southern California have placed on the ballot initiative measures intended to control the rate of future development. It is possible that future initiatives could be enacted, could become applicable to proposed development within the Assessment District or the Community Facilities District, as applicable, and could negatively impact the ability of developers and merchant builders, or their successors, to complete development within the Assessment District or the Taxable CFD Property, as applicable. The application of future land use regulations to the proposed development could cause significant delays and cost increases in the completion of such development and could cause the land values of the AD Undeveloped Parcels within the Assessment District or the CFD Undeveloped Parcels in the Taxable CFD Property, as applicable, to decrease substantially.

Factors Which May Affect Land Development

Future development in the Districts may be affected by changes in general economic conditions, fluctuations in the real estate market, and other factors. In addition, development may be subject to future federal, state, and local regulations. Approval may be required from various agencies from time to time in connection with the layout and design of any proposed development in the Districts, the nature and extent of public improvements, land use, zoning, and other matters. Although no such delays are anticipated, failure to meet any such future regulations or obtain any such approvals in a timely manner could delay or adversely affect any proposed development in the Districts. The development of property within the Districts could be adversely affected if lawsuits or other actions were commenced to restrict or prevent further development within the Districts.

Bankruptcy and Foreclosure Delays

The payment of Reassessment installments or Special Taxes, as applicable, and the ability of the City to foreclose the lien of a delinquent Reassessment or Special Tax, as applicable, is normally delayed by and may be limited in other ways by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by State laws relating to judicial foreclosure. In addition, the prosecution of a judicial foreclosure may be delayed due to congested local court calendars or procedural delays.

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

affecting the rights of creditors generally, 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 Reassessments or the Special Taxes to become extinguished, bankruptcy of a property owner or of a partner or other equity owner of a property owner could result in a stay of enforcement of the lien for the Reassessments or Special Taxes, as applicable, a delay in prosecuting Superior Court foreclosure proceedings, or adversely affect the ability or willingness of a property owner to pay the Reassessment installments or Special Taxes, as applicable, and could result in the possibility of delinquent Reassessment installments or Special Taxes, as applicable, not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Reassessment installments or Special Taxes could be reduced if the value of the applicable property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Reassessment installments or Special Taxes, as applicable, 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 for the Reassessments or Special Taxes, 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 Bonds and the possibility of the delinquent Reassessment installments or Special Taxes, as applicable, not being paid in full. Moreover, amounts received upon foreclosure sales may not be sufficient to fully discharge delinquent Reassessment installments or Special Taxes, as applicable. To the extent that a significant percentage of the property in the Assessment District or the Taxable CFD Property, as applicable, is the subject of bankruptcy proceedings, the payment of the Reassessment installments or Special Taxes, as applicable, and the ability of the City to foreclose the lien of a delinquent unpaid Reassessment installments or Special Taxes, as applicable, could be extremely curtailed by bankruptcy, insolvency, or other laws generally affecting creditors' rights, or by the laws of the State relating to judicial foreclosure.

FDIC/Federal Government Interests in Properties

The ability of the City to foreclose the lien of delinquent unpaid Reassessment installments or Special Taxes may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") has an interest. In the event that any financial institution making any loan which is secured by real property within the Assessment District or the Taxable CFD Property is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Reassessment installments or Special Taxes, as applicable, may be limited.

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

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

Based on the records of the County Assessor, the FDIC does not currently own any of the property in the Assessment District or the Community Facilities District.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Reassessment installments or Special Taxes on a parcel within the Assessment District or the Taxable CFD Property, as applicable, in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Senior Reserve Fund and the Subordinate Reserve Fund and perhaps, ultimately, a default in payment on the Bonds.

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority has covenanted in the Indenture not to 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 (as defined herein). In addition, each of the City and the Community Facilities District has covenanted under the AD Bonds Fiscal Agent Agreement and the CFD Bonds Fiscal Agent Agreement, respectively, not to 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 AD Bonds or the CFD Bonds, as applicable, under Section 103 of the Code. If interest on the AD Bonds or the CFD Bonds becomes includable in gross income for purposes of federal income taxation, interest on the Bonds could also become so includable, as well. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the Authority, the City, or the Community Facilities District in violation of the Code. 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 extraordinary redemption provisions of the Indenture from Reassessment prepayments.

No Acceleration

There is no provision in the Indenture for acceleration of the payment of principal of or interest on the Bonds in the event of default or in the event interest on the Bonds becomes included in gross income for federal income tax purposes.

Limitations on Remedies

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the Authority, the City, and the Community Facilities District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the United States Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State. See “RISK FACTORS RELATED TO THE BONDS – Bankruptcy and Foreclosure Delays,” and “–FDIC/Federal Government Interests in Properties.”

Land Values

The value of property within the Assessment District and the Taxable CFD Property is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of a Reassessment installment or the Special Tax, the only remedy available to the City or the Community Facilities District, as applicable, is to judicially foreclose on the subject property. Prospective purchasers of the Bonds should not assume that the property within the Assessment District or the Taxable CFD Property could be sold for the assessed value described herein at a foreclosure sale for delinquent Assessment installments or Special Taxes, as applicable, or for an amount adequate to pay delinquent Reassessment installments or Special Taxes, as applicable. Reductions in property values within the Assessment District or the Taxable CFD Property due to a downturn in the economy or the real estate market, events such as earthquakes, droughts, or floods, stricter land use regulations, threatened or endangered species, or other events may adversely impact the security underlying the Reassessments and the Special Taxes, as applicable.

The actual market value of the property within the Districts is subject to future events such as downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the property in the Districts that is the security for the Acquired Obligations, which secure the Bonds. As discussed herein, many factors could adversely affect property values or prevent or delay development within the Assessment District or the Taxable CFD Property.

Hazardous Substances

A reduction in the value of a parcel within the Assessment District or the Taxable CFD Property could occur as a result of a claim with regard to a hazardous substance. In general, the owners and operators of a parcel within the Assessment District or the Taxable CFD Property 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 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 parcels within the Assessment District or the Taxable CFD Property be affected by a hazardous substance, will be to reduce the marketability and value of such parcel by the costs of remedying the condition, since the current owner, as well as any prospective purchaser, upon becoming an owner, will be obligated to remedy the condition.

Further, it is possible that liabilities may arise in the future with respect to a parcel as a result 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 as a result of 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 a parcel within the Assessment District or the Taxable CFD Property that is realizable upon a delinquency.

Seismic and Flood Hazards

California has historically been subject to periodic seismic activity. The property within the Districts is not located within any Special Studies Zone, as defined in the Alquist-Priolo Special Studies Zone Act. Nevertheless, it may still be subject to moderate and severe ground shaking in the event of a major seismic occurrence on any of the active faults in the southern California area. The occurrence of seismic activity in the Districts could result in substantial damage to properties in the Districts which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Reassessment installments or Special Taxes, as applicable.

Relevant Federal Emergency Management Agency maps indicate that the Districts are located outside of the 100-year flood plain and are therefore not considered to be subject to significant flood hazard.

Economic, Political, Social, and Environmental Conditions

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, and/or international level may adversely affect investment risk generally. Such changes may also adversely affect the value of property within the Districts and the willingness or ability of the owners of land within the Districts to pay their Reassessment installments or Special Taxes, as applicable. Such conditional changes may include (but are not limited to) fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources or energy supplies, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage, and natural disasters.

Articles XIII A and XIII B of the California Constitution

On June 6, 1978, California voters approved an amendment to the California Constitution, commonly known as Proposition 13 (the Jarvis/Gann Initiative), which added Article XIII A to the California Constitution. The effect of Article XIII A is to significantly limit the imposition of new *ad valorem* taxes, special taxes, transaction taxes, and sales taxes. On November 7, 1978, California voters approved Proposition 8, which made certain clarifications to Article XIII A.

Article XIII A of the California Constitution limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% per year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and allows local governments to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes on real property, while otherwise generally precluding the imposition of any additional *ad valorem* taxes, special taxes, transaction taxes, and sales taxes. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues.

Enactment of Article XIII A has reduced the amount of general property tax revenues received by the City. This reduction in such revenues makes it less likely that the City or the Community Facilities District will have surplus funds, other than the Senior Reserve Fund and the Subordinate Reserve Fund, with which to advance funds to make any payments or to cure any deficiency in the AD Bonds Redemption Fund or the CFD Bond Services Fund, as applicable, should the City or the Community Facilities District, as applicable, in the exercise of its discretion, choose to do so. If there are additional delinquencies after exhaustion of funds in the Senior Reserve Fund and the Subordinate Reserve Fund, neither the City nor the Community Facilities District has any obligation to transfer into the AD Bonds Redemption Fund or the CFD Bond Service Fund, as applicable, the amount of any such delinquencies out of any surplus moneys of the City.

On July 2, 1979, the Fifth District Court of Appeal rendered a 3-0 decision in the case of *County of Fresno v. Malmstrom* (94 Cal. App. 3d 1974) that determined that special assessments are not subject to the limitations of Article XIII A (Proposition 13). The Court held the one percent tax limitation imposed by California Constitution Article XIII A on *ad valorem* taxes does not apply to special assessments levied pursuant to the Improvement Act of 1911 (Streets and Highways Code, Section 5000 *et seq.*, the relevant portions of which are incorporated in the 1915 Act) and the 1913 Act. The Court further held that because special assessments pursuant to such acts are not within the definition of “special taxes” in Article XIII A, the Constitution does not require the levy of assessments and the issuance of bonds to be approved by a two-thirds vote of the qualified electors in an assessment district. On September 12, 1979, the California Supreme Court refused to hear an appeal of the lower court’s decision.

At the November 6, 1979, general election, Proposition 4 (the Gann Initiative) was approved by the voters of California. Such proposition added Article XIII B to the California Constitution.

Article XIII B of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority, or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the fiscal year 1978-79 and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be allocated to fund schools or be returned by revising tax rates or fee schedules over the subsequent two years.

On December 17, 1980, the Third District Court of Appeal rendered a 3-0 decision in the case *County of Placer v. Corin* (113 Cal. App. 3d 443) that determined that special assessments are not subject to the limitation of Article XIII B (Proposition 4). The Court held that the definition of “proceeds of taxes” imposed by California Constitution Article XIII B does not apply to special assessments and improvement bonds issued pursuant to the 1915 Act and the 1913 Act. The decision of the Court was not appealed.

The enactment of Article XIII A of the California Constitution (Proposition 13) and subsequent legislative enactments effectively repeal the otherwise mandatory duty on the part of the City, under the 1915 Act, to levy and collect a special tax (in an amount necessary to meet delinquencies, but not to exceed ten cents on each \$100 of assessable property within the City in any one year) if other funds are not available to cover delinquencies.

In early 1990, the U.S. Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia, which had resulted in vastly different assessments of similar properties. Since Article XIII A provides that property may only be reassessed up to 2%, per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. The Supreme Court in the West Virginia case expressly declined to comment in any way on the constitutionality of Article XIII A.

Based on this decision, however, property owners in California brought three suits challenging the acquisition value assessment provisions of Article XIII A. Two cases involve residential property and one case involves commercial property. In all three cases, State trial and appellate courts have upheld the constitutionality of Article XIII A’s assessment rules and concluded that the West Virginia case did not apply to California’s laws. On June 3, 1991, the U.S. Supreme Court agreed to hear the appeal in the challenge relating to commercial property, but the plaintiff subsequently decided to drop the case.

On October 7, 1991, the U.S. Supreme Court granted the plaintiff’s petition for a writ of certiorari and agreed to hear the *Nordlinger v. Lynch* case. On June 18, 1992, the U.S. Supreme Court affirmed the Nordlinger decision (112 U.S. 2326) of the California Court of Appeal, Second Appellate District, which previously held that Article XIII A does not violate the U.S. Constitution.

The City cannot predict whether any other pending or future challenges to the State’s present system of property tax assessment will be successful, when the ultimate resolution of any challenge will occur, or the ultimate effect any decision regarding the State’s present system of property tax assessment will have on the City’s revenues or on the State’s financial obligations to local governments.

Articles XIIC and XIID of the California Constitution

Proposition 218, a state ballot initiative known as the “Right to Vote on Taxes Act,” was approved by California voters on November 6, 1996. Proposition 218 added Articles XIIC and XIID to the State Constitution, and, with the exception of certain provisions, Articles XIIC and XIID became effective on November 6, 1996.

Among other things, Proposition 218 imposed certain voting requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges. Under Proposition 218 (i) all taxes imposed by local governments are deemed to be either general taxes or special taxes, (ii) no local government may impose, extend, or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote, and (iii) no local government may impose, extend, or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote. Special purpose districts, including community facilities districts and assessment districts, have no power to levy general taxes. The City believes that the issuance of the AD Bonds and the CFD Bonds, as applicable, does not require the conduct of further proceedings under the Refunding Act, the 1915 Act, the 1913 Act, the Mello-Roos Act, or Proposition 218, as applicable, other than as described herein.

Proposition 218 provides that the initiative power shall “not be prohibited or otherwise limited in matters reducing or repealing any local tax, assessment, fee or charge...” Thus, Proposition 218 removes limitations on the initiative power in matters of, among other things, the Reassessments and the Special Taxes. Consequently, it is conceivable that the voters of the City or the Districts could, by future initiative, repeal, reduce, or prohibit the future imposition or increase of any Reassessment or Special Tax, subject to overriding federal constitutional principles relating to impairment of contracts.

Although the provisions of Article XIIC have not been interpreted by the courts, the City believes that the initiative power cannot be used to reduce or repeal the unpaid Reassessments or Special Taxes that are pledged as security for payment of the Acquired Obligations or to otherwise interfere with the mandatory, statutory duty of the City and the Ventura County Auditor with respect to the unpaid Reassessments or Special Taxes that are pledged as security for payment of the Acquired Obligations.

Article XIID, entitled “Assessment and Property Related Fee Reform,” contains several new provisions making it generally more difficult for local agencies to levy and maintain “assessments” for municipal services and programs. Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the City under the 1913 Act (including, if applicable, any increase in such assessment or any supplemental assessment under the 1913 Act) must be conducted in conformity with the provisions of Section 4 of Article XIID. “Assessment” is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIID additionally provides that in levying “assessments” a local government must separate the “general benefits” from the “special benefits” conferred on a parcel and may not impose on any parcel an assessment which exceeds the “reasonable cost of the proportional special benefit conferred on that parcel.” Article XIID also contains various notice requirements and a public hearing requirement and prohibits the imposition of an assessment if ballots submitted by property owners, weighted according to the proportional financial obligation of the affected property, in opposition to the assessment exceed the ballots submitted in favor of the assessment. The City believes that it has complied with all provisions of Article XIID applicable to the Assessment District proceedings described herein.

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

Future Initiatives

Articles XIII A, XIII B, XIIC, and XIID of the Constitution were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, which may affect the ability of the City or the Community Facilities District to levy and maintain Reassessments or Special Taxes.

RISK FACTORS RELATED TO THE SERIES B BONDS

In addition to the risks described under the heading "RISK FACTORS RELATED TO THE BONDS," there are several additional risks that are relevant to an investment in the Series B Bonds. The Series B Bonds are subordinate in right of payment to the Series A Bonds. The Series B Bonds are not rated and are not insured by the Series A Bond Insurer. For this reason, investments in the Series B Bonds involve a high degree of risk and are not appropriate for all investors.

Subordination of Series B Bonds

The Series B Bonds are subordinate to the Series A Bonds in right of payment. Revenues will be available to pay obligations on the Series B Bonds only after all payments and deposits with respect to the Series A Bonds have been made and the replenishment of the Senior Reserve Fund has occurred as set forth herein and in the Indenture. In the event of delinquencies in the payment of Reassessments or Special Taxes that exceed the expected amount of debt service coverage from the Revenues, there may not be sufficient Revenues available to pay principal or interest due with respect to any or all of the Series B Bonds then Outstanding.

Limited Secondary Market

As stated herein, investment in the Series B Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the Series B Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Series B Bonds or, if a secondary market exists, that the Series B Bonds can or could be sold for any particular price. From time to time there may be no market for the Series B Bonds, depending upon prevailing market conditions, the financial condition or market positions of firms who may make the secondary market, the financial condition and results of operations of the owners of property located within the boundaries of the Districts, and the extent of the development of property within the Districts.

No Rating of Series B Bonds

The Series B Bonds are not rated by any rating agency, and the Authority does not presently intend to seek any rating of the Series B Bonds nor does the Authority anticipate that the Series B Bonds would qualify for an investment grade rating.

No Bond Insurance for the Series B Bonds

The Series A Bond Insurance Policy does not apply to the Series B Bonds.

Remedies Controlled by Series A Bond Insurer

The Indenture provides that, upon the occurrence of a default with respect to the Series B Bonds, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the Series B Bonds; provided, however, that the Trustee shall take no action that would impair the receipt of Revenues necessary to pay the Series A Bonds unless the Owners of a majority in aggregate principal amount of the Outstanding Series A Bonds and the Series A Bond Insurer shall have consented to such action. Given this provision, so long as the Series A Bonds are Outstanding, the exercise of remedies for any default under the Indenture will be controlled by the Series A Bond Insurer and not by the Owners of the Series B Bonds.

THE AUTHORITY

The Authority is a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California pursuant to a Joint Exercise of Powers Agreement, dated as of October 9, 1991, as amended on April 21, 1992, by and among the City, the Redevelopment Agency of the City of Oxnard, and the Housing Authority of the City of Oxnard. The Authority was created on October 9, 1991, to finance capital improvements, working capital, liability, and other insurance needs or projects.

The Authority is governed by a five-member governing board (the “Board”). There is currently one vacancy on the Board. The current members of the Board are:

<u>Name</u>	<u>Office</u>
Tom Conway	Chairman
Charles Covarrubias	Vice Chairman
Francisco J. Dominguez	Board Member
Patricia Maki	Board Member

The Authority is also served by the officers listed below who, in the case of the General Counsel, serves in this capacity by virtue of his duties as City Attorney, or, in the case of the Secretary and Assistant Controller, are appointed by officers of the Authority and serve at the pleasure of the Board. The Authority officers are:

<u>Name</u>	<u>Position</u>
Michael J. More	Assistant Controller
Gary Gillig	General Counsel
Jill Beaty	Secretary

Neither the Authority nor the members of the Board have any obligations or liability to the owners of the Bonds with respect to the payment of debt service for the Bonds or with respect to the performance by the City or the Community Facilities District of other covenants made by them in the Fiscal Agent Agreements.

TAX MATTERS

Bond Counsel Opinion

In the opinion of Pillsbury Winthrop Shaw Pittman LLP, Century City, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. A copy of the proposed form of opinion of Bond Counsel with respect to each of the Series A Bonds and the Series B Bonds is set forth in Appendix C attached hereto and will accompany the applicable series of Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest received by persons such as the registered owners of the Bonds. The Authority has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in gross income for federal income tax purposes. Failure to comply with those covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinions of Bond Counsel assume compliance with those 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 affect the tax status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Indenture 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, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of bond counsel other than Pillsbury Winthrop Shaw Pittman LLP.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the federal or state tax status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, including amendments to the Code or interpretations thereof, if enacted into law, will not contain provisions, which could directly or indirectly reduce the benefit of the excludability of the interest on the Bonds from gross income for federal income tax purposes.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal and California State personal income tax purposes, a Bond Owner's federal and State tax liability may otherwise be affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the Bond Owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, or in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds; (iii) with respect to life insurance companies, life insurance company taxable income subject to the tax imposed by Section 801 of the Code is determined by permitting deductions for certain dividends received but not to the extent such dividend is from a non-insurance corporation and is out of tax-exempt interest, including interest on the Bonds; (iv) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (v) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (vi) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds; and (vii) under Section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors concerning collateral tax consequences with respect to the Bonds.

Risk of Audit by Internal Revenue Service

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service is likely to treat the Authority as the taxpayer and the owners of the Bonds may have no right to participate in such procedure.

Bond Counsel's opinion represents its legal judgment based upon its review of existing law, regulations, rulings, judicial decisions, and other authorities, and upon the covenants and representations of the parties and such other facts as it has deemed relevant to render such opinion, and is not a guarantee of a result. Neither the Underwriter nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. Neither the Authority nor Bond Counsel is responsible to pay or reimburse the costs of any owner with respect to any audit or litigation relating to the Bonds.

Original Issue Discount/Premium

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. 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 higher 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 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 own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

UNDERWRITING

The Bonds are being purchased by Stone & Youngberg LLC, as Underwriter. The Underwriter has agreed to purchase the Series A Bonds at a price of \$5,096,620.80 (which represents the aggregate principal amount of the Series A Bonds of \$5,180,000.00, less an Underwriter’s discount of \$63,196.00, less a net original issue discount of \$20,183.20). The Underwriter has agreed to purchase the Series B Bonds at a price of \$2,312,942.95 (which represents the aggregate principal amount of the Series B Bonds of \$2,355,000.00, less an Underwriter’s discount of \$38,151.00, less a net original issue discount of \$3,906.05). The contract of purchase pursuant to which the Bonds are being purchased by the Underwriter provides that the Underwriter will purchase all of the Bonds if any are purchased. Simultaneously with the purchase of the Bonds by the Underwriter, the Authority has agreed to purchase the AD Bonds from the City and the CFD Bonds from the Community Facilities District. The Underwriter’s obligation to purchase the Bonds is contingent upon the Authority’s purchase of the Acquired Obligations, the approval of certain legal matters by counsel, and certain other conditions.

RATINGS OF SERIES A BONDS

Standard & Poor’s Credit Markets Services, a division of The McGraw-Hill Companies, Inc. (“S&P”), has assigned a rating of “AAA” to the Series A Bonds, with the understanding that, upon delivery of the Series A Bonds, the Series A Bond Insurer will issue the Series A Bond Insurance Policy. In addition, S&P has assigned an underlying rating of “BBB” to the Series A Bonds. Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same at the following address: Standard & Poor’s Credit Markets 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 ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series A Bonds.

No application has been made for any rating on the Series B Bonds.

CONTINUING DISCLOSURE

The Authority will covenant in a Continuing Disclosure Agreement to provide certain financial information and operating data relating to the City, the Authority, and the Districts and notices of certain events, if material. The specific nature of the information to be provided, the applicable deadlines for filing such information, and the entities to which such information must be provided will be set forth in the Continuing Disclosure Agreement, a form of which is attached hereto as Appendix D. This covenant is being made by the Authority in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12, as amended. The Authority has never failed to provide any previous continuing disclosure or notices of material events. See “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

NO LITIGATION

The City, the Community Facilities District, and the Authority will certify, and the City Attorney will render separate opinions on behalf of the City, the Community Facilities District, and the Authority upon the issuance of the Bonds to the effect that, there is no action, suit, or proceeding known to the City, the Community Facilities District, or the Authority, as applicable, to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds, the Acquired Obligations, the Indenture, or the Fiscal Agent Agreements, as applicable, or in any way contesting or affecting the validity of the foregoing or any proceeding of the City, the Community Facilities District, or the Authority taken with respect to any of the foregoing, as applicable.

CERTAIN LEGAL MATTERS

Pillsbury Winthrop Shaw Pittman LLP, Century City, California, Bond Counsel, will render opinions with respect to the Series A Bonds and the Series B Bonds in substantially the forms set forth in Appendix C attached hereto. Copies of such opinions will be furnished to the Underwriter and the Authority at the time of delivery of the Bonds. Certain legal matters will be passed upon for the City, the Authority, and the Districts by the City Attorney and by Pillsbury Winthrop Shaw Pittman LLP, Century City, California, serving as Bond Counsel or as Disclosure Counsel.

VERIFICATION

Causey, Demgen & Moore Inc., Denver, Colorado, a firm of independent certified public accountants, will verify the accuracy of (i) the mathematical computations of the adequacy of the maturing principal of and interest earned on the obligations of the United States of America held under the AD Escrow Agreement by the AD Escrow Holder and held under the CFD Escrow Agreement by the CFD Escrow Holder, together with other available funds held by the AD Escrow Holder and the CFD Escrow Holder, as applicable, to provide for the refunding and defeasance of the Refunded 1996 AD Bonds and the Refunded 1988 CFD Bonds, as applicable, and (ii) certain mathematical computations supporting the conclusion that neither the AD Bonds nor the CFD Bonds are “arbitrage bonds” under the Code.

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APPENDIX A

INFORMATION REGARDING THE CITY OF OXNARD

The Bonds do not constitute a general obligation debt of the City of Oxnard and the City has not pledged its full faith and credit to the repayment of the Bonds. The following information is presented for informational purposes only.

General

The City of Oxnard (the “City”) is located in western portion of the County on the shore of the Pacific Ocean. The City is approximately 65 miles northwest of the City of Los Angeles, 35 miles south of the City of Santa Barbara, and six miles south of the county seat of the County. The City is the financial hub of the County and the largest city in the County, with a population estimated at nearly 186,122 in 2004, accounting for approximately 23% of the County’s population. The City has become a premier center of County industrial activity since 1996 with the start of nine new industrial buildings representing a total of approximately 750,000 square feet of industrial and commercial space, with significant growth and building in the northeast area of the City.

The City was incorporated as a general law city on June 30, 1903, and operates under a council-manager form of government. The City is governed by a five-member City Council elected at large for four-year alternating terms, with the exception of the Mayor, who is directly elected for a two-year term.

The City has a diversified and expanding economic base composed of light and heavy manufacturing, retail, service, and government sectors. The City has maintained a steady population growth rate of, on average, 2.48% for the past decade and the adopted 2020 General Plan anticipates continued growth for the next 10 years, with a projected population of 218,194 by the year 2020.

Population

The City’s population has grown from approximately 153,400 people in 1994 to approximately 186,122 in 2004. The following table shows the approximate changes in population in the City, the County, the State, and the United States for the years 1994 through 2004.

**Population of
City, County, State and U.S.
1994 through 2004⁽¹⁾**

<u>Year</u>	<u>City</u>	<u>Population Percent Change</u>	<u>County</u>	<u>Percent Change</u>	<u>State (000)</u>	<u>Percent Change</u>	<u>United States (000)</u>	<u>Percent Change</u>
1994	153,400	--	697,200	--	31,418	--	263,436	--
1995	155,700	1.50%	702,800	0.80%	31,617	0.63%	266,557	1.18%
1996	157,500	1.16	707,800	0.71	31,837	0.70	269,667	1.17
1997	159,800	1.46	716,100	1.17	32,207	1.16	272,912	1.20
1998	163,000	2.00	725,400	1.30	32,657	1.40	276,115	1.17
1999	166,100	1.90	736,000	1.46	33,140	1.48	279,295	1.15
2000	170,358 ⁽²⁾	2.56	753,197 ⁽²⁾	2.34	33,872 ⁽²⁾	2.21	281,674 ⁽²⁾	0.85
2001	174,500	2.37	763,900	1.42	34,367	1.46	285,094	1.21
2002	178,800	2.46	778,400	1.90	35,000	1.84	287,974	1.01
2003	181,800	1.68	791,300	1.66	35,591	1.69	290,810	0.98
2004	186,122	2.32	802,500	1.40	35,894	0.84	293,655	0.97

⁽¹⁾ Unless otherwise noted, estimates for City, County and State as of January 1, and for U.S. as of July 1.

⁽²⁾ Actual census figures.

Sources: State of California Department of Finance; U.S. Department of Commerce, Bureau of the Census (U.S. figures only).

Property Tax Rates

In June of 1978, California voters approved Proposition 13 (the Jarvis-Gann Initiative), which added Article XIII A to the California Constitution. Article XIII A limits *ad valorem* taxes on real property to 1% of the full cash value, plus taxes necessary to repay indebtedness approved by the voters prior to July 1, 1978. Voter-approved obligations of the City are comprised of the City's 1969 Storm Drain Bond and an obligation referred to as the "Public Safety Retirement." The 1969 Storm Drain Bond was redeemed and paid as of June 30, 1994. The following table details the City's property tax rates for the last 10 fiscal years.

City of Oxnard Property Tax Rates 1995 through 2004

Year Ended June 30	County Tax	City District (Public Safety Retirement Debt)	School Districts	Water Districts	Total Tax Rates
1995	1.00%	0.0380%	0.0805%	0.2913%	1.4098%
1996	1.00	0.0362	0.0773	0.3105	1.4240
1997	1.00	0.0367	0.0807	0.3328	1.4502
1998	1.00	0.0367	0.1360	0.3449	1.5176
1999	1.00	0.0367	0.1491	0.1212	1.3070
2000	1.00	0.0475	0.1740	0.0979	1.3194
2001	1.00	0.0475	0.1714	0.0977	1.3166
2002	1.00	0.0575	0.1867	0.0723	1.3165
2003	1.00	0.0675	0.1748	0.0817	1.3140
2004	1.00	0.0766	0.2022	0.0509	1.3297

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2004

Property Tax Levies, Collections, and Delinquencies

The Ventura County Tax Collector collects *ad valorem* property tax levies representing taxes levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding March 1. Unsecured taxes are assessed and payable on March 1 and become delinquent August 31 in the next fiscal year. Accordingly, unsecured taxes are levied at the rate applicable to the fiscal year preceding the one in which they are paid.

One half of the secured tax levy is due November 1 and becomes delinquent December 10; the second installment is due February 1 and becomes delinquent April 10. A 10% penalty is added to any late installment.

Property owners may redeem property upon payment of delinquent taxes and penalties. Tax-delinquent properties are subject to a redemption penalty of one and one-half percent (1-1/2%) of the delinquent amount every month commencing on July 1 following the date on which the property became tax-delinquent. Properties may be redeemed under an installment plan by paying current taxes, plus 20% of delinquent taxes each year for five years, with interest accruing at one and one-half percent (1-1/2%) per month on the unpaid balance.

The following table details the City's property tax levies, collections, and delinquencies for the last 10 fiscal years.

City of Oxnard
Property Tax Levies, Collections and Delinquencies
1995 through 2004

<u>Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percentage of Tax Levy</u>
1995	\$17,318,091	\$17,000,969	98.17%	\$567,432	\$17,568,401	101.45%
1996	18,296,398	16,831,456	91.99	569,431	17,400,887	95.11
1997	18,233,366	17,033,821	93.42	487,301	17,521,122	96.09
1998	18,113,687	17,712,334	97.78	250,440	17,962,774	99.17
1999	15,014,300	14,868,769	99.03	189,551	15,058,320	100.29
2000	17,038,470	17,317,763	101.64	99,032	17,416,795	102.22
2001	23,380,000	23,484,567 ⁽¹⁾	100.45	90,164	23,574,731	100.83
2002	25,900,000	25,718,029	99.30	284,711	26,002,740	100.40
2003	30,040,000	29,892,747	99.51	190,546	29,233,880	97.32
2004	35,432,169	35,281,916	99.58	344,390	35,427,088	99.99

⁽¹⁾ Voter-approved tax for \$3,977,315 was transferred from trust and agency to the special revenue fund in fiscal year 2001.
Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2004.

Assessed Property Values

The following table details the assessed value of the real and personal property within the City for the last 10 fiscal years.

City of Oxnard
Assessed Property Values
1995 through 2004

<u>Year Ended June 30</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Exemptions</u>	<u>Total Assessed Value</u>
1995	\$6,215,308,381	\$117,493,334	\$697,128,516	\$5,635,673,199
1996	6,312,352,104	119,814,735	667,234,581	5,764,932,258
1997	6,307,831,466	101,123,835	720,506,163	5,688,449,138
1998	6,473,207,602	94,844,935	722,494,121	5,845,558,416
1999	6,605,309,284	95,463,165	737,477,086	5,963,295,363
2000	6,844,276,538	91,597,348	874,969,634	6,060,904,252
2001	7,645,814,717	97,930,553	846,810,724	6,896,934,546
2002	8,351,831,139	111,351,225	905,863,935	7,557,318,429
2003	9,093,618,247	124,301,084	1,110,078,014	8,107,847,317
2004	10,228,878,641	117,948,102	1,346,099,223	9,000,727,520

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2004.

Principal Taxpayers

The following table lists the principal taxpayers in the City as of June 30, 2004.

**City of Oxnard
Principal Taxpayers**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
The Procter & Gamble Paper Products Company	Manufacturing-Paper Products	\$ 246,155,414	2.413%
St. John's Regional Medical Center	Hospital	199,861,431	1.959
SI VIII LLC (1)	Real Estate Development	74,524,729	0.730
Weyerhaeuser Company	Processed Paper Manufacturer	59,789,800	0.586
Duesenberg Investment Company	Commercial Development	59,149,800	0.580
Fred Kavli	Real Estate Development	49,454,296	0.485
Seminis Inc.	Seeds	48,843,234	0.479
GSA Vintage-Rose Apartment	Real Estate Development	46,364,974	0.454
M&H Realty Partners IV LP	Real Estate Development	39,083,715	0.383
AT&T Credit Corporation Trust	Commercial Credit	37,561,723	0.368
BMW of North America Inc.	Auto Preparation	35,906,695	0.352
Donwen Corporation	Commercial Development	33,549,800	0.329
WPH Oxnard Coastal LLC	Real Estate Development	33,322,284	0.327
PEGH Investments LLC	Real Estate Development	31,978,482	0.313
Other Taxpayers	Various	<u>9,206,629,888</u>	<u>90.242</u>
Totals		\$10,202,176,265	100.000%

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2004.

Outstanding Debt

The City uses a variety of tax increment, revenue, and lease indebtedness to finance various capital acquisitions. The outstanding balances for indebtedness as of June 30, 2004, are set forth in the following table.

**City of Oxnard
Outstanding Debt
(As of June 30, 2004)**

<u>Type of Debt</u>	<u>Outstanding Balance (as of June 30, 2004)</u>
Tax Allocation Bonds ⁽¹⁾	\$ 19,086,766.00
Revenue Bonds ⁽²⁾	233,657,419.00
Certificates of Participation	<u>8,045,000.00</u>
Total	\$260,789,185.00

⁽¹⁾ The tax allocation bonds are paid from the increment revenue of property taxes levied within the City's redevelopment and renewal areas. The Central Revitalization Project and other redevelopment areas currently are administered by the Oxnard Community Development Commission.

⁽²⁾ Revenue bonds include issues used to finance projects for public parking, civic auditorium, sewer and treatment and water system expansion, and public housing. Debt service for these issues is paid from the revenues of the appropriate enterprise funds and the City's General Fund.

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2004.

Direct and Overlapping Bonded Debt

The following table details the City's direct and overlapping bonded debt as of June 30, 2004.

City of Oxnard Direct and Overlapping Bonded Debt (As of June 30, 2004)

<u>Jurisdiction</u>	Net Debt Outstanding (June 30, 2004)	Percentage of Debt Applicable to the City of Oxnard (Before Exclusions)	Less: <u>Exclusions</u> ⁽¹⁾	Amount of Debt Applicable to the City of Oxnard
Direct Bonded Debt:				
City of Oxnard Financing Authorities	\$27,030,000	100.000%	\$27,030,000	--
City of Oxnard – Pooled Insurance Obligation	922,361	100.000	922,361	--
City of Oxnard – 1915 Act Bonds	37,990,000	100.000	37,990,000	--
City of Oxnard Community Facilities District 1	9,740,000	100.000	9,740,000	--
City of Oxnard Community Facilities District 88-1	1,840,000	100.000	1,840,000	--
Oxnard Boulevard Interchange Community District	<u>10,315,000</u>	100.000	<u>10,315,000</u>	--
Total Direct Bonded Debt	\$ 87,837,361		\$87,837,361	--
Overlapping Bonded Debt:				
Metropolitan Water District	\$ 3,306,840	0.739%	--	\$ 24,438
Ventura County Community College District	10,745,133	13.829	--	1,485,944
Ventura County Superintendent of Schools – COP	1,915,454	13.825	--	264,812
Ventura County Community College District – COP	1,116,692	13.829	--	154,427
Ventura County General Fund Obligations	14,710,491	13.825	--	2,033,725
Ventura County Pension Obligation	10,157,228	13.829	--	1,404,643
Oxnard Union High School District	23,070,801	44.367	--	10,235,986
Oxnard Union High School District – COP	8,012,680	44.367	--	3,554,986
Oxnard School District	66,483,920	90.657	--	60,272,327
Oxnard School District – COP	6,006,026	90.657	--	5,444,883
Rio School District	15,514,346	83.884	--	13,014,054
Rio School District – COP	4,672,339	83.884	--	3,919,345
Hueneme School District	5,389,769	49.313	--	2,657,857
Ocean View School District	1,404,763	38.434	--	539,907
Ocean View School District – COP	<u>857,078</u>	38.434	--	<u>329,409</u>
Total Overlapping Bonded Debt	<u>\$173,363,560</u>		--	<u>\$105,336,743</u>
Total Direct and Overlapping Bonded Debt	<u>\$261,200,920</u>		<u>\$87,837,361</u>	<u>\$105,336,743</u>

⁽¹⁾ Exclusions represent all bonds that are not tax supported obligations of the City.
Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2004.

Taxable Retail Sales

Consumer spending in calendar year 2003 resulted in \$2,039,218 in taxable sales in the City, which is approximately 7.3% above calendar year 2002. The following table sets forth information regarding taxable sales in the City for each type of business for calendar years 1999 through 2003.

City of Oxnard
Taxable Retail Sales by Type of Business
1999 - 2003
(000s)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Apparel stores	\$ 50,341	\$ 43,441	\$ 46,037	\$ 53,650	\$ 50,399
General merchandise stores	262,491	241,410	257,339	273,297	290,338
Food stores	66,763	66,134	64,173	67,002	73,061
Eating and drinking places	121,892	128,529	133,815	145,771	153,932
Home furnishings and appliances	45,114	44,273	54,840	76,151	102,279
Building materials and farm implements	183,951	187,530	205,872	200,206	206,417
Auto dealers and auto supplies	321,044	345,079	412,761	472,647	513,072
Service stations	69,170	87,773	93,812	94,533	113,140
Other retail stores	<u>188,381</u>	<u>200,655</u>	<u>197,837</u>	<u>204,148</u>	<u>213,714</u>
Total Retail Outlets	1,309,147	1,344,824	1,466,486	1,587,405	1,716,352
All Other Outlets	<u>256,213</u>	<u>275,985</u>	<u>308,660</u>	<u>313,131</u>	<u>322,866</u>
Total All Outlets	\$1,565,360	\$1,620,809	\$1,775,146	\$1,900,536	\$2,039,218

Source: California State Board of Equalization.

Transportation

Oxnard is served by all major modes of transportation. Both U.S. 101 and State Highway 1 pass through the City, linking it with the Los Angeles metropolitan area and Santa Barbara County. Rail passenger service is provided by AMTRAK, which has a station in the City. Two trains daily pass through each direction and stop at the Oxnard station. Metrolink provides commuters from the Oxnard Transportation Center with several daily routes to the Los Angeles basin, including downtown Los Angeles. Southern Pacific Railroad provides freight rail service to the City. The Ventura County Railroad Company connects Port Hueneme, the Ormond Beach Industrial Area, the CB Base and surrounding industrial areas to the Southern Pacific line. The Port of Hueneme, owned and operated by the Oxnard Harbor District, is the only commercial deep-draft harbor between Los Angeles and San Francisco. The port has five 600 to 700 foot berths and a 35-foot entrance channel depth. Completed in 1989 was an \$18 million expansion of the harbor that included the addition of an automobile terminal and the construction of a new wharf. The Port's acquisition of 33 acres from the Navy in 1997 has enabled it to increase facilities for importing foreign automobiles. Automobile imports increased by 12.7% in 1997, making the Port one of the top 10 entry points in the U.S. for foreign automobiles. The Channel Islands Harbor is a modern 3,000 slip boat marina which also serves the Oxnard area in the capacity of a recreational marina. The Oxnard Airport is operated by Ventura County as a general and commercial aviation air field. The Oxnard Airport handles passenger as well as cargo services. Feeder service to Los Angeles International Airport is provided by United Express and American Eagle. Local bus service is provided by South Coast Area Transit System (SCAT), a regional public transit agency funded by the County and member cities. Service is available in Ojai, Ventura, Oxnard, and Port Hueneme. The Greyhound bus line provides passenger and parcel service from its Oxnard station. Great American Stagelines provides passenger services between Oxnard and Los Angeles every hour. A multi-modal transportation center located in downtown Oxnard brings together all these forms of transportation.

Education

There are 29 elementary, three junior high and five senior high schools located in and around the City, plus eight parochial and private schools. The City is served by Oxnard College, which has an enrollment of over 5,700 students. The 119-acre campus is located on Rose Avenue between Channel Island Boulevard and Pleasant Valley Road. Oxnard College currently offers degree and certificate programs. The newly-completed California State University campus at Channel Islands (CSUCI) opened in fall 2002 with approximately 1,320 full time transfer students and welcomed freshmen in fall 2003. In addition, two campuses of the University of California, Santa Barbara (UCSB) and Los Angeles (UCLA), one campus of the California State University, Northridge (CSUN), and two private universities, Pepperdine and California Lutheran University, are within a 50-minute drive.

Recreation

The City offers its residents a wide range of recreational facilities. The beach parks, marina, and neighborhood and regional parks add up to nearly 1,500 acres of park land. McGrath State Beach Park, located south of the Santa Clara River mouth, covers 295 acres and includes over a mile of ocean frontage. Overnight camping and day picnics are the main use of that park. Oxnard Beach Park includes 62 acres with concession stands and facilities for day picnics and sports. Silver Strand Beach, south of the Harbor entrance, and Hollywood Beach, north of the entrance, are day beach facilities. Channel Islands Marina is a recreational boating marina administered by Ventura County. The City has over 30 neighborhood parks located throughout the City. A tennis and softball center is located at Community Center Park. Additionally, Wilson Park contains the largest senior citizen center in the Tri-County area.

The City owns the River Ridge Golf Course, an 18-hole, 7,010-yard championship golf course located on the south side of the Santa Clara River. The City also owns a 1,600-seat Performing Arts Center located on Hobson Way in the heart of the City.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the principal legal documents relating to the issuance of the Bonds and the Acquired Obligations, including the Indenture, the AD Bonds Fiscal Agent Agreement, and the CFD Bonds Fiscal Agent Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to said documents.

SELECTED DEFINITIONS

“AD Bonds Prepayment Account” means the Prepayment Account within the AD Bonds Redemption Fund established under the AD Bonds Fiscal Agent Agreement to be held by the AD Fiscal Agent.

“AD Bonds Rebate Fund” means the Rebate Fund established under the AD Bonds Fiscal Agent Agreement to be held by the AD Bonds Fiscal Agent.

“AD Bonds Redemption Fund” means the Redemption Fund established under the AD Bonds Fiscal Agent Agreement to be held by the AD Fiscal Agent.

“AD Bonds Resolution of Issuance” means Resolution No. 12,907, adopted by the City Council on July 19, 2005, authorizing the issuance of the AD Bonds, and approving, among other things, the terms and provisions of the AD Bonds Fiscal Agent Agreement.

“Administrative Costs” means the annual costs of administering the Bonds, including without limitation the annual fees and expenses pertaining to the servicing of the Bonds and the provision of continuing disclosure pertaining to the Bonds or the Authority as required by Rule 15c2-12 of the Securities and Exchange Commission and any applicable continuing disclosure agreement pertaining to the Bonds. Such fees and expenses shall include, but not be limited to, any or all of the following: the fees and expenses of the Trustee (including any fees and expenses of its counsel) and the expenses of the Authority in carrying out its duties under the Indenture which expenses include, but are not limited to, calculating the rebate obligation, if any, for the Bonds undertaking of any annual audits of the Bonds, and undertaking any annual or event continuing disclosure requirement. In addition to the costs of consultants and attorneys incurred in undertaking such duties, the expenses of the Authority shall also include an allocable share of the salaries of staff of the Authority or the City directly related thereto and a proportionate amount of general administrative overhead related thereto, any rebate obligation due and owing the United States government and all other costs and expenses of the Authority or the Trustee incurred in connection with the discharge of their respective duties under the Indenture and in the case of the Authority, in any way related to the administration of the Authority. Administrative Costs also includes any Unfunded Special District Administrative Expenses.

“Administrative Expenses” is defined in the CFD Bonds Fiscal Agent Agreement as the ordinary and necessary costs of administering the levy and collection of the Special Taxes and all other administrative costs and incidental expenses related to the CFD Bonds or the Special Taxes, including, but not limited to, annual audit fees, CFD Fiscal Agent fees, CFD Escrow Holder fees, fees incurred in connection with the calculation of arbitrage rebate due to the federal government, costs of compliance with disclosure obligations of the Community Facilities District and other costs permitted by the Mello-Roos Act.

“Authorized Representative” means: (a) with respect to the Authority, its Chairman, Vice Chairman, Controller, Assistant Controller, Executive Director or Secretary, or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chairman or Executive Director and filed with the City and the Trustee; (b) with respect to the City and the Community Facilities District, the City Manager, Assistant City Manager, Finance and Management Services Director, Financial Services Manager or any other person designated as an Authorized Representative of the City or the Community Facilities District by a Written Certificate signed on behalf of the City or the Community Facilities District by the City Manager, Assistant City Manager, Finance and Management Services Director, or Financial Services Manager and filed with the

Authority and the Trustee; (c) with respect to the Trustee, the Senior Vice President, any Vice President, any Assistant Vice President or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

“Average Annual Debt Service” means the average annual debt service on the Series A Bonds or the Series B Bonds, as the case may be, based upon a Bond Year during the term of such Bonds.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended from time to time.

“Bond Year” means, with respect to the Bonds or the Acquired Obligations, the period beginning on the Closing Date and ending on September 2, 2005, and each successive 12-month period thereafter until there are no longer any Bonds or Acquired Obligations Outstanding.

“Business Day” means a day that is not a Saturday, Sunday, or legal holiday on which banking institutions in the State, or in any state in which the Office of the Trustee or the Series A Bond Insurer is located, are closed, or a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

“CFD Administrative Expense Fund” means the Administrative Expense Fund created under the CFD Bonds Fiscal Agent Agreement to be held by the CFD Fiscal Agent.

“CFD Bond Service Fund” means the Bond Service Fund established under the CFD Bonds Fiscal Agent Agreement to be held by the CFD Fiscal Agent.

“CFD Rebate Fund” means the Rebate Fund established under the CFD Bonds Fiscal Agent Agreement to be held by the CFD Fiscal Agent.

“Closing Date” means the date on which the Bonds are delivered Stone & Youngberg LLC, as underwriter for the Bonds, or, as to the Acquired Obligations, the date such Acquired Obligations are delivered to the Authority.

“Depository” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Facsimile transmission: (516) 227-4039 or (516) 227-4190, or, in accordance with the then current guidelines of the Securities and Exchange Commission, such other depositories, or no such depositories, as the Authority may indicate in a certificate of the Authority to the Trustee.

“Event of Bankruptcy” means, with respect to any person, the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against such person as debtor, other than any involuntary proceeding which has been finally dismissed without entry of an order for relief or similar order as to which all appeal periods have expired.

“Event of Default” means any of the events specified in the Indenture as an Event of Default.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) direct general 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), or obligations the payment of principal of and interest on which are directly or indirectly unconditionally guaranteed by, the United States of America; and

(b) direct obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period selected and designated as the official Fiscal Year period of the Authority and certified to the Trustee in writing by an Authorized Representative of the Authority.

“Gross Taxes” mean (i) all Special Taxes and (ii) all proceeds from the sale of property collected pursuant to the foreclosure provisions of the Mello-Roos Act and the CFD Bonds Fiscal Agent Agreement for the delinquency of such Special Taxes.

“Independent Certified Public Accountant” means a nationally recognized certified public accountant or nationally recognized firm of certified public accountants appointed by the Authority, and who, or each of whom: (a) is judged by the Authority to have extensive experience with respect to the preparation of financial statements; (b) is in fact independent and not under the domination of the Authority, the City, or the Community Facilities District; (c) does not have any substantial interest, direct or indirect, with the Authority, the City, or the Community Facilities District; and (d) is not connected with the Authority, the City, or the Community Facilities District as an officer or employee thereof, but who may be regularly retained by either the Authority, the City, or the Community Facilities District to make reports to such client.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest annual debt service for the Series A Bonds or the Series B Bonds, as the case may be, during the current or any future Bond Year.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns.

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

“Office” means the principal corporate trust office or agency of the Trustee in Los Angeles, California, or such other offices as may be specified to the Authority by the Trustee in writing and the principal corporate trust office of any successor trustee.

“Officer’s Certificate” means a written certificate or requisition of the City signed by an authorized officer of the City.

“Outstanding,” when used as of any particular time with reference to Bonds, AD Bonds, or CFD Bonds, means (subject to the provisions of the Indenture, the AD Bonds Fiscal Agent Agreement, or the CFD Bonds Fiscal Agent Agreement, as applicable) all Bonds, AD Bonds, or CFD Bonds, as applicable, theretofore, or thereupon being authenticated and delivered by the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, under the Indenture, AD Bonds Fiscal Agent Agreement, or CFD Bonds Fiscal Agent Agreement, as applicable, except (a) Bonds, AD Bonds, or CFD Bonds, as applicable, theretofore canceled by the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or surrendered to the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, for cancellation; (b) Bonds, AD Bonds, or CFD Bonds, as applicable, with respect to which all liability of the Authority, the City, or the Community Facilities District, as applicable, shall have been discharged in accordance with the Indenture, the AD Bonds Fiscal Agent Agreement, or the CFD Bonds Fiscal Agent Agreement, as applicable; and (c) Bonds, AD Bonds, or CFD Bonds, as applicable, 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 Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, pursuant to the Indenture, the AD Bonds Fiscal Agent Agreement, or the CFD Bonds Fiscal Agent Agreement, as applicable.

“Owner” or “Bond Owner” means the person in whose name the ownership of such bond is registered on the Registration Books. As of the Closing Date, the Authority shall be the sole Owner of the AD Bonds and the CFD Bonds.

“Permitted Investments” means (i) for the Bonds, the investments designated as “Permitted Investments” under the Indenture, (ii) for the AD Bonds, the investments designated as “Permitted Investments” under the AD Bonds Fiscal Agent Agreement, and (iii) for the CFD Bonds, the investments designated as “Authorized Investments” under the CFD Bonds Fiscal Agent Agreement, all of which are described as follows:

(1) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America (“U.S. Government Securities”).

(2) Direct obligations (see footnote * below) of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:

- (a) Export-Import Bank of the United States - Direct obligations and fully guaranteed certificates of beneficial interest
- (b) Federal Housing Administration - debentures
- (c) General Services Administration - participation certificates
- (d) Government National Mortgage Association (“GNMAs”) - guaranteed mortgage-backed securities and guaranteed participation certificates
- (e) Small Business Administration - guaranteed participation certificates and guaranteed pool certificates
- (f) U.S. Department of Housing and Urban Development - local authority bonds
- (g) U.S. Maritime Administration - guaranteed Title XI financings
- (h) Washington Metropolitan Area Transit Authority - guaranteed transit bonds

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

- (a) Federal National Mortgage Association (“FNMA”) - senior debt obligations rated Aaa by Moody’s and AAA by S&P
- (b) Federal Home Loan Mortgage Corporation (“FHLMCs”) - participation certificates and senior debt obligations rated Aaa by Moody’s and AAA by S&P
- (c) Federal Home Loan Banks - consolidated debt obligations
- (d) Student Loan Marketing Association - debt obligations
- (e) Resolution Funding Corporation - debt obligations

(4) Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision, or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P.

* The following are explicitly excluded from the securities enumerated in clauses (1) and (2):

- (a) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
- (b) Obligations that have a possibility of returning a zero or negative yield if held to maturity;
- (c) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and
- (d) Collateralized Mortgage-Backed Obligations (“CMOs”).

(5) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody's and A-1 or better by S&P.

(6) Certificates of deposit, savings accounts, deposit accounts, or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.

(7) Certificates of deposit, deposit accounts, federal funds, or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated P-1 by Moody's and A-1 or better by S&P (not considering holding company ratings).

(8) Investments in money-market funds rated AAAM or AAAM-G by S&P. Such money market funds may include funds for which the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or its affiliates or subsidiaries provide investment advisory or other management services.

(9) State-sponsored investment pools rated AA- or better by S&P.

(10) Repurchase agreements that meet the following criteria:

(a) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.

(b) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an unsecured, unsecured, and unguaranteed rating of A3/P-1 or better by Moody's and A-/A-1 or better by S&P, or (ii) domestic structured investment companies approved by the Series A Bond Insurer and rated, or domestic structured investment companies with a guarantor rated, Aaa by Moody's and AAA by S&P.

(c) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn, or fall below A3 or P-1 from Moody's, or A- or A-1 from S&P. Within ten (10) days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.

(d) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA, or FHLMC described in clauses 2(d), 3(a), and 3(b) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMA's, FNMA's, or FHLMC's. The repurchase agreement shall require (i) the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or an independent third party acting solely as agent for the Trustee, AD Fiscal Agent, or CFD Fiscal Agent, as applicable (the "Agent"), to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two (2) Business Days of such valuation.

(e) The repurchase securities shall be delivered free and clear of any lien to the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or the Agent, and such Agent is (i) a Federal Reserve Bank or (ii) a bank which is a member of the FDIC and which has combined capital, surplus, and undivided profits or, if appropriate, a net worth, of not less than \$50 million, and the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, shall have received

written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee, AD Fiscal Agent, or CFD Fiscal Agent, as applicable.

(f) A perfected first security interest in the repurchase securities shall be created for the benefit of the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, and the Authority, the City, or the Community Facilities District, as applicable, and the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.

(g) The repurchase agreement shall have a term of one year or less, or shall be due on demand.

(h) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities, unless the Series A Bond Insurer directs otherwise:

i. insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;

ii. failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under clause 10(d) above; or

iii. failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.

(11) Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:

(a) A master agreement or specific written investment agreement governs the transaction.

(b) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody's and AA by S&P; (ii) domestic insurance companies rated Aaa by Moody's and AAA by S&P; and (iii) domestic structured investment companies approved by the Series A Bond Insurer and rated, or domestic structured investment companies with a guarantor rated, Aaa by Moody's and AAA by S&P.

(c) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured, and unguaranteed rating of A1 or better by Moody's and A+ or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least A1 by Moody's and A+ by S&P; (iii) domestic insurance companies rated at least A1 by Moody's and A+ by S&P; and (iv) domestic structured investment companies approved by the Series A Bond Insurer and rated, or domestic structured investment companies with a guarantor rated, Aaa by Moody's and AAA by S&P. Required collateral levels shall be as set forth in clause 11(f) below.

(d) The investment agreement shall provide that, if the provider's ratings fall below Aa3 by Moody's or AA- by S&P, the provider shall within ten (10) days either (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below.

(e) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn, or fall below A3 from Moody's or A- from S&P. Within ten (10) days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty.

(f) The investment agreement shall provide for the delivery of collateral described in clause i or ii below (“Permitted Collateral”) which shall be maintained at the following collateralization levels at each valuation date:

- i. U.S. Government Securities at 104% of principal plus accrued interest; or
- ii. Obligations of GNMA, FNMA, or FHLMC (described in clauses 2(d), 3(a), and 3(b) above) at 105% of principal and accrued interest.

(g) The investment agreement shall require the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or the Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:

- i. the last quoted “bid” price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal, or Reuters;
- ii. valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or
- iii. the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.

(h) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account, and registered in the name of the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or the Agent.

(i) The provider shall grant the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under clause 11(f) above, the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, and the Series A Bond Insurer shall receive an opinion of counsel as to the perfection of the security interest in the collateral.

(j) The investment agreement shall provide that moneys invested under the agreement must be payable and putable at par to the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, without condition, breakage fee, or other penalty, upon not more than two (2) Business Days notice, or immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:

- i. In the event of a deficiency in the debt service account;
- ii. Upon acceleration after an event of default;
- iii. Upon refunding of the Bonds, AD Bonds, or CFD Bonds, as applicable, in whole or in part;
- iv. Reduction of the Reserve Requirement for the Bonds; or

- v. If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted.

Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, if the obligation of the Authority, the City, or the Community Facilities District, as applicable, to pay such fee or penalty is subordinate to its obligation to pay debt service on the Bonds, the AD Bonds, or the CFD Bonds, as applicable, and, in the case of the Bonds, to make deposits to the Senior Reserve Fund or the Subordinate Reserve Fund.

- (k) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities, unless:

- i. Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times, or in the amounts described above;
- ii. Insolvency of the provider or the guarantor (if any) under the investment agreement;
- iii. Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;
- iv. Failure by the provider to make a payment or observe any covenant under the agreement;
- v. The guaranty (if any) is terminated, repudiated, or challenged; or
- vi. Any representation of warranty furnished to the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or the Authority, the City, or the Community Facilities District, as applicable, in connection with the agreement is false or misleading.

- (l) The investment agreement must incorporate the following general criteria:

- i. "Cure periods" for payment default shall not exceed two (2) Business Days;
- ii. The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or the Series A Bond Insurer;
- iii. Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior consent of the Series A Bond Insurer;
- iv. If the investment agreement is for the Reserve Fund, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate;
- v. The provider shall be required to immediately notify the Series A Bond Insurer and the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, of any event of default or any suspension, withdrawal, or downgrade of the provider's ratings;
- vi. The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim; and

vii. The agreement shall require the provider to submit information reasonably requested by the Series A Bond Insurer, including balance invested with the provider, type and market value of collateral, and other pertinent information.

(12) Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria:

(a) A specific written investment agreement governs the transaction.

(b) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the SIPC jurisdiction, if such broker/dealer or bank has an uninsured, unsecured, and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured, and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; and (iii) domestic structured investment companies approved by the Series A Bond Insurer and rated, or domestic structured investment companies with a guarantor rated, Aaa by Moody's and AAA by S&P.

(c) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn, or fall below A3 or P-1 from Moody's or A- or A-1 from S&P. Within ten (10) days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.

(d) Permitted securities shall include the investments listed in clauses 1, 2, and 3 above.

(e) The forward delivery agreement shall include the following provisions:

i. The permitted securities must mature at least one (1) Business Day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date.

ii. The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event.

iii. Any breakage fees shall be payable only on Interest Payment Dates and shall be subordinated to the payment of debt service fund and Reserve Fund replenishments.

iv. The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency, or receivership of the provider, the securities will not be considered to be a part of the provider's estate, and shall otherwise be acceptable to the Series A Bond Insurer.

v. The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior written consent of the Series A Bond Insurer.

(13) Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the Authority, the City, or the Community Facilities District, as applicable, or the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, to put the securities back to the provider under a put, guaranty, or other hedging arrangement, only with the prior written consent of the Series A Bond Insurer.

(14) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of the State of California or of any agency, instrumentality, or local governmental unit of the State of California 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 which are rated, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's.

(15) Shares in any money market mutual fund registered under the Investment Company Act of 1940 whose investment portfolio consists solely of direct obligations of the United States Government, provided that any such fund has been rated in the highest category by a nationally recognized rating agency and, provided further, that such mutual funds may include funds for which the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, or its affiliates or subsidiaries provide investment advisory or other management services.

(16) The Local Agency Investment Fund ("LAIF").

(17) Other forms of investments approved in writing by the Series A Bond Insurer with notice by the Authority, the City, or the Community Facilities District, as applicable, to S&P.

(18) Maturity of investments shall be governed by the following:

(a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.

(b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee, the AD Fiscal Agent, or the CFD Fiscal Agent, as applicable, may require their repurchase pursuant to repurchase agreements.

(c) Investments of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

"Rebate Fund" means the fund by that name established under the Indenture to be held by the Trustee.

"Refunding Act" means the Refunding Act of 1984 for 1915 Improvement Act Bonds, being Division 11.5 (commencing with Section 9500) of the Streets and Highways Code of the State of California.

"Related Documents" means, collectively, the Indenture, the AD Bonds Fiscal Agent Agreement, the CFD Bonds Fiscal Agent Agreement, the AD Bonds, and the CFD Bonds.

"Residual Account" means the account of the Revenue Fund by that name established with the Trustee pursuant to the Indenture.

"Revenue Fund" means the fund by that name established pursuant to the Indenture.

"Senior Interest Account" means the account of the Revenue Fund by that name established with the Trustee pursuant to the Indenture.

"Senior Principal Account" means the account of the Revenue Fund by that name established with the Trustee pursuant to the Indenture.

"Senior Reserve Fund" means the fund by that name established with the Trustee pursuant to the Indenture.

"Special Tax Fund" means the Special Tax Fund established under the CFD Bonds Fiscal Agent Agreement to be held by the CFD Fiscal Agent.

“Subordinate Interest Account” means the account of the Revenue Fund by that name established with the Trustee pursuant to the Indenture.

“Subordinate Principal Account” means the account of the Revenue Fund by that name established with the Trustee pursuant to the Indenture.

“Subordinate Reserve Fund” means the fund by that name established with the Trustee pursuant to the Indenture.

“Supplemental Indenture” means any indenture then in full force and effect that has been duly executed and delivered by the Authority and the Trustee amendatory of the Indenture or supplemental thereto; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means that certain certificate of the Authority by that name delivered on the Closing Date.

“Unfunded Special District Administrative Expenses” means those annual costs of the administration of the AD Bonds, the CFD Bonds, the CFD Bonds Fiscal Agent Agreement, and the AD Bonds Fiscal Agent Agreement in excess of the proceeds of the annual assessments or special taxes for administrative costs and surcharges for collection costs and registration costs which may be collected for the Assessment District and the Community Facilities District on the tax roll by the City or the Community Facilities District, as applicable.

“Written Certificate,” “Written Order,” or “Written Request” of the Authority, the City, or the Community Facilities District means, respectively, a written certificate or written request signed in the name of the Authority by any Authorized Representative thereof or in the name of the City by any Authorized Representative thereof or in the name of the Community Facilities District by any Authorized Representative thereof. 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. If and to the extent required by the Indenture, each such certificate, order or request shall include the statements provided for in the Indenture.

THE INDENTURE

Investment of Moneys

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority two (2) Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the Authority shall determine. All Permitted Investments shall be acquired subject to any restrictive instructions given to the Trustee pursuant to the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by the Written Request of the Authority. 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 the Indenture. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause 15 of the definition thereof. Investment of cash on deposit in the Senior Reserve Fund shall have an average weighted term to maturity not greater than five (5) years (exclusive of investment agreements and other Permitted Investments approved in writing by the Series A Bond Insurer).

Unless otherwise provided in the Indenture, all interest, profits, and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Revenue Fund, except that earnings on the investment of amounts in the Residual Account of the Revenue Fund, the Senior Reserve Fund, the Subordinate Reserve Fund, and the Rebate Fund shall be retained in each such fund or account. Notwithstanding anything to the contrary contained in the Indenture, an amount of interest received with respect to any Permitted Investments equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment for the Bonds shall be credited to the fund from which such accrued interest was paid.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at the lesser of cost or par value plus, prior to the first payment of interest following purchase, the amount of accrued interest, if any, paid as a part of the purchase price.

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee 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 to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transactions statements which include details for all investment transactions made by the Trustee under the Indenture.

Claims Upon the Series A Bond Insurance Policy and Payments by and to the Series A Bond Insurer

As long as the Series A Bond Insurance Policy shall be in full force and effect, the Authority and the Trustee shall comply with the following provisions:

(a) If, on the third Business Day prior to any Interest Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series A Bonds due and payable on such Interest Payment Date, the Trustee shall give notice to the Series A Bond Insurer and to its designated agent (the "Series A Bond Insurer's Fiscal Agent"), if any, by telephone or by teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to such Interest Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series A Bonds due and payable on such Interest Payment Date, the Trustee shall make a claim under the Series A Bond Insurance Policy and give notice to the Series A Bond Insurer and the Series A Bond Insurer's Fiscal Agent, if any, by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series A Bonds and the amount required to pay principal of the Series A Bonds, confirmed in writing to the Series A Bond Insurer and the Series A Bond Insurer's Fiscal Agent, if any, by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim (as such term is defined in the Series A Bond Insurance Policy) and Series A Bond delivered with the Series A Bond Insurance Policy.

(b) The Trustee shall designate any portion of payment of principal of Series A Bonds paid by the Series A Bond Insurer, whether by virtue of maturity or other advancement of maturity, on its books as a reduction in the principal amount of the Series A Bonds registered to the then current Owners of the Series A Bonds, whether by virtue of maturity or other advancement of maturity, on its books as a reduction in the principal amount of the Series A Bonds registered to the then current Owners of the Series A Bonds, whether the Depository or its nominee or otherwise, and shall issue a replacement Series A Bond to the Series A Bond Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series A Bond shall have no effect on the amount of principal or interest payable by the Authority on any Series A Bond or the subrogation right of the Series A Bond Insurer.

(c) Upon payment of a claim under the Series A Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of the Owners of the Series A Bonds referred to in the Indenture as the "Policy Payments Account" and over which the Trustee shall have exclusive control and the sole right of withdrawal. The Trustee shall receive any amount paid under the Series A Bond Insurance Policy in trust on behalf of the Owners of the Series A Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for the purposes for making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners of the Series A Bonds in the same manner as principal and interest payments are to be made with respect to the Series A Bonds. It shall not be necessary for such payments to be made

by checks or wire transfer separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(d) The Trustee shall keep a complete and accurate record of all funds deposited by the Series A Bond Insurer in the Policy Payments Account and the allocation of such funds to payment of principal of and interest on any Series A Bond. The Series A Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses, or liabilities of the Trustee.

(f) Any funds remaining in the Policy Payments Account following an Interest Payment Date shall be promptly remitted to the Series A Bond Insurer.

(g) The Series A Bond Insurer shall be entitled to pay principal of or interest on the Series A Bonds that shall become Due for Payment (as such term is defined in the Series A Bond Insurance Policy) and any amounts due with respect to the Series A Bonds as a result of acceleration, if any, of the maturity of the Series A Bonds in accordance with the provisions of the Indenture, whether or not the Series A Bond Insurer has received a Notice of Nonpayment (as such term is defined in the Series A Bond Insurance Policy) or a claim upon the Series A Bond Insurance Policy.

Against Encumbrances

The Authority shall not create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture or any Supplemental Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes. Notwithstanding the foregoing, the Authority shall not issue any bonds or incur any indebtedness, while any of the Series A Bonds are Outstanding, secured by a pledge, lien, charge, or other encumbrance upon the Revenues which is subordinate to the pledge set forth in the Indenture without the prior written consent of the Series A Bond Insurer.

Federal Tax Covenants

Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest with respect to the Bonds will not be adversely affected for federal income tax purposes, the Authority covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Authority will not take or omit to take any action, and will not make any use of the proceeds of the Bonds or of any other monies or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The Authority will not make any use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, and will not take or omit to take any action which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The Authority will not make any use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code; and

(e) Miscellaneous. The Authority will not take any action inconsistent with its expectations stated in the Tax Certificate executed on the Closing Date by the Authority in connection with the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

Duties and Liabilities of Trustee

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by (i) the Series A Bond Insurer or (ii) 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 Trustee shall cease to be eligible in accordance with subsection (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee 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 Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation by first-class mail, postage prepaid, to the Authority, 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 Authority shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) calendar days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee 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 Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Indenture, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, such successor Trustee, 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 Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee 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 Trustee all the right, title, and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions therein set forth. Upon request of the successor Trustee, the Authority 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 Trustee all such moneys, estates, properties, rights, powers, trusts, duties, and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture 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 Authority fails to mail such notice within fifteen (15) calendar days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be a trust company or bank having the powers of a trust company, having 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 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 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. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(f) No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder.

(g) The Trustee shall not be responsible for the sufficiency, timeliness, or enforceability of the Revenues or the reviewing of any report or certificate required to be provided under the Indenture.

(h) The Trustee shall not be accountable for the use or application by the Authority, the City, the Community Facilities District, or any other party of any funds which the Trustee has released under the Indenture.

(i) The Trustee may employ attorneys, agents, or receivers in the performance of any of its duties under the Indenture and shall not be answerable for the misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

(j) Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the Owners as if there were no Series A Bond Insurance Policy.

(k) The Trustee shall notify the Series A Bond Insurer of any failure by the Authority, the City, or the Community Facilities District to provide relevant notices, certificates, or other documents required by the Indenture.

Amendment of the Indenture

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds of the affected series then Outstanding, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, 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, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), or (iv) deprive the Owners of the Series A Bonds of a priority over the Owners of the Series B Bonds in the Trust Estate (except as expressly provided in the Indenture), 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 Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to the Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, 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 Indenture.

The Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the

Authority and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, or to pledge or assign additional security for the Bonds (or any portion thereof);

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency, or omission, or of curing or correcting any defective provision contained in the Indenture, or as to any other provisions of the Indenture as the Authority may deem necessary or desirable, in any case which do not adversely affect the security for the Bonds granted thereunder;

(c) to modify, amend, or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; and

(d) to modify, amend or supplement the Indenture 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.

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 the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or 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 Authority or 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 the Indenture if the pledgee shall certify to the Trustee 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 Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the Authority shall specify to the Trustee those Bonds disqualified pursuant to the Indenture.

Events of Default

The following events shall be Events of Default:

(a) if default shall be made by the Authority in the due and punctual payment of the 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; provided, however, that in determining whether a payment default has occurred or whether a payment on the Series A Bonds has been made under the Indenture, no effect shall be given to payments made under the Series A Bond Insurance Policy;

(b) if default shall be made by the Authority in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable; provided, however, that in determining whether a payment default has occurred or whether a payment on the Series A Bonds has been made under the Indenture, no effect shall be given to payments made under the Series A Bond Insurance Policy;

(c) if default shall be made by the Authority in the observance of any of the other covenants, agreements, or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) calendar days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the affected series of Bonds at the time Outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Trustee and such Owners shall, subject to the provisions of the Indenture, not unreasonably withhold their consent to an

extension of such time if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected; and

- (d) the occurrence of an Event of Bankruptcy with respect to the Authority.

Remedies Upon Event of Default; Other Remedies of Bond Owners

If any Event of Default shall have occurred and be continuing, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding may, upon notice in writing to the Authority, exercise any and all remedies available pursuant to law or granted with respect to such Event of Default.

Subject to the provisions of the Indenture, any Bond Owner 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 Authority and its members, officers, agents, or employees to perform each and every term, provision, and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by the Bond Law;

- (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' rights; or

- (c) upon the happening of any Event of Default, by suit, action, or proceeding in any court of competent jurisdiction, to require the Authority and its members and employees to account as if it and they were the trustees of an express trust.

Trustee to Represent Bond Owners

The Trustee is irrevocably appointed under the Indenture (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) 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, the Indenture, the Bond Law 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 Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the affected series 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 in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, the Indenture, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee 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 Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

No Waiver of Default

No delay or omission of the Trustee, the Series A Bond Insurer, 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 the Indenture to the Trustee, the Series A Bond Insurer, or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Bond Owners' Direction of Proceedings

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

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 the Indenture, the Agreement, the Bond Law, or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the affected series of the Bonds then Outstanding, shall have made written request upon the Trustee to exercise the powers granted under the Indenture or to institute such suit, action, or proceeding in its own name, and (c) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) calendar days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity, and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture 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 the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Bond Law, or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Defeasance

The Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of and redemption premium, if any, and interest on the Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust (pursuant to an escrow agreement), at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem all Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority including without limitation any amounts due and owing the Trustee thereunder, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements, and other obligations of the Authority under the Indenture shall cease, terminate, become void, and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, and upon receipt of a Written Certificate of Authorized Representatives of the Authority and an opinion of Bond Counsel acceptable to the Trustee, each to the effect that all conditions precedent in the Indenture provided for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the

Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as shall be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign, or deliver all moneys or securities or other property held by it pursuant to the Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority with respect to such Bonds shall cease, terminate, and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or otherwise as provided in the Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the written request and cost of the Authority) 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 Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

As a precondition to the defeasance of the Series A Bonds pursuant to the Indenture, the Authority shall cause to be delivered:

- (a) a report of an Independent Certified Public Accountant acceptable to the Series A Bond Insurer verifying the sufficiency of the escrow established to pay the Series A Bonds in full on the maturity or redemption date (the "Verification Report");
- (b) an escrow agreement which shall be in form and substance satisfactory to the Series A Bond Insurer; and
- (c) an opinion of nationally recognized bond counsel to the effect that the Series A Bonds are no longer Outstanding.

Each such Verification Report and opinion required pursuant to the Indenture shall be acceptable in form and substance to the Authority and the Series A Bond Insurer and shall be addressed to the Authority, the Trustee, and the Series A Bond Insurer.

In the event that a forward purchase agreement will be employed in the defeasance of the Series A Bonds, such agreement shall be subject to the approval of the Series A Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Series A Bond Insurer.

The Series A Bond Insurer shall be provided with final drafts of all documents required pursuant to the Indenture not less than five (5) Business Days prior to funding the escrow to defease the Series A Bonds.

Provisions Relating to the Series A Bond Insurance Policy

The Authority shall pay or reimburse the Series A Bond Insurer for any and all charges, fees, costs and expenses which the Series A Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense, or preservation of any rights or security in the Related Documents; (ii) the pursuit of any remedies under the Related Documents or otherwise afforded by law or equity; (iii) any amendment, waiver, or other action with respect to, or related to the Related Documents whether or not executed or completed; (iv) the violation by the Authority or City of any law, rule or regulation, or any judgment, order or decree applicable to it; or (v) any litigation or other dispute in connection with the Related Documents or the transactions contemplated thereby, other than amounts resulting from the failure of the Series A Bond Insurer to honor its obligations under the Series A Bond Insurance Policy. The Series A Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed with respect to the Related Documents.

Amounts paid by the Series A Bond Insurer under the Series A Bond Insurance Policy shall not be deemed paid for purposes of the Indenture and shall remain outstanding and continue to be due and payable until paid by the Authority in accordance with the provisions thereof.

The Indenture shall not be discharged unless and until all amounts due to or to become due to the Series A Bond Insurer pursuant to the terms thereof have been paid in full or payment duly provided for to the satisfaction of the Series A Bond Insurer.

No modification, amendment, or supplement to the Indenture or the AD Bonds Fiscal Agent Agreement or the CFD Bonds Fiscal Agent Agreement may become effective except upon obtaining the prior written consent of the Series A Bond Insurer. Copies of any such modification, amendment or supplement shall be sent to S&P and Moody's at least ten (10) calendar days prior to the effective date thereof.

The Series A Bond Insurer shall be deemed the sole Owner of the Series A Bonds for the purposes of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Series A Bonds are entitled to take pursuant to Article VII or Article VIII of the Indenture. The Trustee shall take no action under Article VII of the Indenture except with the consent, or at the direction, of the Series A Bond Insurer.

No credit instrument may be provided in lieu of any cash comprising any portion of the Senior Reserve Requirement on deposit in the Senior Reserve Fund without the prior written consent of the Series A Bond Insurer.

No grace period for any default in the performance by the Authority of any covenant set forth in the Indenture shall be extended for more than sixty (60) calendar days, without the prior written consent of the Series A Bond Insurer.

The Series A Bond Insurer shall be a third party beneficiary to the rights of the Owners of the Series A Bonds under the Indenture.

The Series A Bond Insurer shall, to the extent that it makes any payment of principal of or interest on the Series A Bond, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series A Bond Insurance Policy. The obligation to the Series A Bond Insurer shall survive discharge or termination of the Related Documents.

The rights granted to the Series A Bond Insurer under the Indenture or any other Related Documents to request, consent to, or direct any action are rights granted to the Series A Bond Insurer in consideration of its issuance of the Series A Bond Insurance Policy. Any exercise by the Series A Bond Insurer of any such rights is merely an exercise of the Series A Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners of the Series A Bonds nor does such action evidence any position of the Series A Bond Insurer, positive or negative, as to whether the consent of the Owners of the Series A Bonds is required in addition to the consent of the Series A Bond Insurer.

The rights of the Series A Bond Insurer to direct or consent to the actions under the Indenture of the Authority, the Trustee, or the Owners of the Series A Bonds shall be suspended during any period in which the Series A Bond Insurer is in default in its payment obligations under the Series A Bond Insurance Policy (except to the extent of amounts previously paid by the Series A Bond Insurer and due and owing to the Series A Bond Insurer) and shall be of no force or effect in the event the Series A Bond Insurance Policy is no longer in effect or the Series A Bond Insurer asserts that the Series A Bond Insurance Policy is not in effect or the Series A Bond Insurer shall have provided written notice that it waives such rights.

The Authority shall hold and shall not sell or otherwise dispose of the Acquired Obligations prior to the payment thereof in full without the prior written consent of the Series A Bond Insurer.

Provisions Relating to the Senior Reserve Fund Surety

The Authority shall repay any draws under the Senior Reserve Fund Surety and pay all related expenses incurred by the Series A Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Series A Bond Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (i) the greater of (A) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective the date such change is announced by JPMorgan Chase Bank) plus 3%, and (B) the then applicable highest rate of interest on the Series A Bonds; and (ii) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Series A Bond Insurer shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Senior Reserve Fund Surety Costs") shall be made from the payment of delinquent debt service on the Acquired Obligations when received, and from other amounts legally available to the Authority or City for such purpose. Payments shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12th of the aggregate Senior Reserve Fund Surety Costs related to such draw.

Amounts in respect of Senior Reserve Fund Surety Costs paid to the Series A Bond Insurer shall be credited first to interest due, then to the expenses due, and then to principal due. As and to the extent that payments are made to the Series A Bond Insurer on account of principal due, the coverage under the Senior Reserve Fund Surety will be increased by a like amount, subject to the terms of the Senior Reserve Fund Surety.

All cash and investments in the Senior Reserve Fund shall be transferred to the Senior Interest Account or the Senior Principal Account, as applicable, for the payment of principal of and interest on the Series A Bonds when due and payable before any draw may be made on the Senior Reserve Fund Surety or any other credit facility credited to the Senior Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Senior Reserve Fund Surety Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Senior Reserve Fund Surety) on which there is available coverage shall be made on a pro rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Senior Reserve Fund. Payment of Senior Reserve Fund Surety Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a *pro rata* basis prior to the replenishment of any cash drawn from the Senior Reserve Fund.

If the Authority shall fail to pay any Senior Reserve Fund Surety Costs in accordance with the requirements of the Indenture, the Series A Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Series A Bonds or (ii) remedies which would adversely affect the Owners of the Bonds.

In order to secure the Authority's payment obligations with respect to the Senior Reserve Fund Surety Costs, there is created under the Indenture and perfected in favor of the Series A Bond Insurer a security interest (subordinate only to that of the Owners of the Series A Bonds) in all Revenues and collateral pledged as security for the Series A Bonds pursuant to the Indenture.

If on September 3rd of any year the amount of cash on deposit in the Senior Reserve Fund, together with the principal amount of the Senior Reserve Fund Surety, exceeds the Senior Reserve Requirement, the Trustee shall on such date transfer such excess from the cash then on deposit in the Senior Reserve Fund to the Residual Account.

The Indenture shall not be discharged until all Senior Reserve Fund Surety Costs owing to the Series A Bond Insurer have been paid in full. The Authority's obligation to pay such amounts shall expressly survive payment in full of the Series A Bonds.

Not later than three (3) days following the date that the Series A Bonds are no longer Outstanding and all Senior Reserve Fund Surety Costs and Administrative Costs have been paid in full, then the Trustee shall transfer all monies in the Senior Reserve Fund to the Residual Account.

THE AD BONDS FISCAL AGENT AGREEMENT

The AD Bonds

No Acceleration. The principal of the AD Bonds shall not be subject to acceleration under the AD Bonds Fiscal Agent Agreement.

Refunding of Bonds. The AD Bonds are subject to refunding pursuant to Divisions 11 or 11.5 of the California Streets and Highways Code.

No Additional Bonds. No additional bonds shall be issued for the Assessment District on a parity with the AD Bonds.

Funds and Accounts

AD Bonds Redemption Fund. The AD Redemption Fund is established as a separate fund to be held by the AD Fiscal Agent to the credit of which deposits shall be made as required by the AD Bonds Fiscal Agent Agreement, the Refunding Act, or the 1915 Act. Moneys in the AD Redemption Fund shall be held by the AD Fiscal Agent for the benefit of the City and the Owners of the AD Bonds and shall be disbursed for the payment of the principal of, and interest on, the AD Bonds as provided in the AD Bonds Fiscal Agent Agreement. Within the AD Redemption Fund there is established the following separate account to be held in trust by the AD Fiscal Agent for the benefit of the City and the Owners of the AD Bonds:

AD Bonds Prepayment Account: The AD Bonds Prepayment Account shall be used exclusively for the administration of any prepayments of Reassessments pursuant to Section 8767 of the 1915 Act, to assure the timely redemption of AD Bonds. In the event all of the Reassessments are prepaid in full, the AD Bonds Prepayment Account shall be closed.

On each Interest Payment Date, the AD Fiscal Agent shall withdraw from the AD Bonds Redemption Fund and pay to the Owners of the AD Bonds the principal of, and interest and any premium, then due and payable on the AD Bonds. Ten (10) Business Days prior to each Interest Payment Date, the AD Fiscal Agent shall determine if the amounts to be on deposit in the AD Bonds Redemption Fund (following the transfer of collected Reassessments from the City) will be sufficient to pay the debt service due with respect to the AD Bonds on such Interest Payment Date. Upon such determination, the AD Fiscal Agent shall immediately provide written notice to the Trustee of either (i) the sufficiency of the funds in the AD Bonds Redemption Fund or (ii) the insufficiency of such funds together with the amount of such deficiency. If there are insufficient funds in the AD Bonds Redemption Fund to make the payments due with respect to the AD Bonds as provided in the AD Bonds Fiscal Agent Agreement, the AD Fiscal Agent shall apply the available funds first to the payment of interest on the AD Bonds, then to the payment of principal due with respect to the AD Bonds, and then to payment of principal due with respect to the AD Bonds by reason of AD Bonds called for redemption under the AD Bonds Fiscal Agent Agreement.

Moneys in the AD Bonds Redemption Fund (and the accounts therein) shall be invested and deposited in accordance with the AD Bonds Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the AD Bonds Redemption Fund (and the accounts therein).

AD Bonds Rebate Fund. The AD Bonds Rebate Fund is established as a separate fund to be held by the AD Fiscal Agent. The City shall cause to be deposited in the AD Bonds Rebate Fund, from other funds that may be available to the City, from time to time, amounts determined to be sufficient to pay any rebate required to be paid under the AD Bonds Fiscal Agent Agreement. Investments in the AD Bonds Rebate Fund shall be yield restricted to a yield not in excess of that of the AD Bonds. Monies in the AD Bonds Rebate Fund are not pledged to pay debt service nor are they subject to any lien in favor of the AD Bond Owners. The City shall advise the AD Fiscal Agent as to the particulars of such deposits and investments and the AD Fiscal Agent shall have no liability with respect to the calculation of or payment of any rebate amounts owed under the AD Bonds Fiscal Agent Agreement.

Deposit and Investment of Moneys in Funds

Subject in all respects to the provisions of the AD Bonds Fiscal Agent Agreement, moneys in any fund or account created or established by the AD Bonds Fiscal Agent Agreement and held by the AD Fiscal Agent shall be invested by the AD Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the AD Fiscal Agent at least two (2) Business Days in advance of the making of such investments. The following shall apply to such investments:

(a) Investments. In the absence of any such Officer's Certificate, the AD Fiscal Agent shall invest any such moneys in Permitted Investments describe in clause (15) of the definition thereof that by their terms mature prior to the date on which such moneys are required to be paid out under the AD Bonds Fiscal Agent Agreement to the extent reasonable and practicable, and if such investments cannot be made the AD Fiscal Agent shall hold such funds uninvested until such investments can be made. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the AD Bonds Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

(b) AD Fiscal Agent. The AD Fiscal Agent may act as principal or agent in the acquisition or disposition of any investment. The AD Fiscal Agent shall incur no liability for losses arising from any investments made pursuant to the AD Bonds Fiscal Agent Agreement.

(c) Commingling. Subject in all respects to the provisions of the AD Bonds Fiscal Agent Agreement, investments in any and all funds and accounts may at the discretion of the AD Fiscal Agent be commingled in a separate fund or funds for purposes of making, holding, and disposing of investments, notwithstanding provisions in the AD Bonds Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the AD Fiscal Agent thereunder, provided that the AD Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the AD Bonds Fiscal Agent Agreement.

(d) Sales. The AD Fiscal Agent shall sell or present for redemption, any investment security 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 investment security is credited and the AD Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the AD Bonds Fiscal Agent Agreement.

(e) City Treasury. For funds held by the City Treasurer, the provisions of the AD Bonds Fiscal Agent Agreement shall also apply, except that an Officer's Certificate shall not be required. For such funds, the City shall keep records or accounts of all expenditures or disbursements therefrom which records shall be available for inspection during business hours on any Business Day upon prior written request.

Covenants of the City

Collection of Reassessments. The City shall comply with all requirements of the 1913 Act, the 1915 Act, the Refunding Act, and the AD Bonds Fiscal Agent Agreement to assure the timely collection of the Reassessments, including, without limitation, the enforcement of delinquent Reassessments. The costs and administrative expenses of the City pertaining to the collection of the Reassessments and the AD Bonds may be included as a component of the Reassessments. Such amounts, when collected, shall be retained by the City.

Foreclosure. The City covenants with and for the benefit of the Owners of the AD Bonds that it will order, and cause to be commenced, and thereafter diligently prosecute an action in the Superior Court of the County to foreclose the lien of any Reassessment or installment thereof which has been billed, but has not been paid, pursuant to and as provided in Sections 8830 through 8835 (inclusive) of the 1915 Act and the conditions specified in the AD Bonds Fiscal Agent Agreement. For the benefit of the Owners of the AD Bonds, the City shall annually reconcile Reassessment levies and Reassessment collections and shall initiate judicial foreclosure proceedings within ninety (90) days following the end of a Fiscal Year in which there is any delinquency in the payment of a Reassessment. The City shall diligently prosecute to completion such foreclosure proceedings as may be necessary to collect the delinquent amounts notwithstanding payment by the County of any Reassessments under a Teeter Plan.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the AD Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the AD Bonds Fiscal Agent Agreement, to the benefits thereof, except subject to the prior payment in full of the principal of all of the AD Bonds then Outstanding and of all claims for interest which shall not have been extended or funded.

Against Encumbrance. The City will not encumber, pledge, or place any charge or lien upon any of the Reassessments or other amounts pledged to the AD Bonds superior to or on a parity with the pledge and lien created under the AD Bonds Fiscal Agent Agreement for the benefit of the AD Bonds, except as permitted by the AD Bonds Resolution of Issuance, the AD Bonds Fiscal Agent Agreement, the Refunding Act, the 1913 Act, or the 1915 Act.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Reassessments, which records shall be subject to inspection by the Owners upon reasonable prior notice on any Business Day.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the AD Bonds and the rights of the Owners thereto, and will warrant and defend their rights to such security against all claims and demands of all persons. From and after the delivery of any of the AD Bonds by the City, the AD Bonds shall be incontestable by the City.

Further Assurances. The City will adopt, make, execute, and deliver any and all such further resolutions, instruments, and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the AD Bonds Fiscal Agent Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the AD Bonds Fiscal Agent Agreement.

Private Activity Bond Limitation. The City shall assure that the proceeds of the AD Bonds are not so used as to cause the AD Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the AD Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Rebate Requirement. The City shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the AD Bonds.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the City, by the AD Fiscal Agent, or otherwise, any action with respect to the proceeds of the AD Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the AD Bonds would have caused the AD Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the AD Bonds from the gross income of the Owners of the AD Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the AD Bonds.

Liability of City

The City shall not incur any responsibility with respect to the AD Bonds or the AD Bonds Fiscal Agent Agreement other than in connection with the duties or obligations explicitly provided therein or in the AD Bonds Fiscal Agent Agreement, except for its own gross negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements of the AD Fiscal Agent in the AD Bonds Fiscal Agent Agreement or of any of the documents executed by the AD Fiscal Agent in connection with the AD Bonds, or as to the existence of a default thereunder.

The City shall not be bound to recognize any person as the Owner of an AD Bond unless duly registered and until such AD Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

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 interest or any premium on, the AD Bonds; but nothing contained in the AD Bonds Fiscal Agent Agreement shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

Modification or Amendment of the AD Bonds Fiscal Agent Agreement

Amendments Permitted. (a) Consent. The AD Bonds Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the AD Bonds may be modified or amended at any time by a supplemental AD Bonds Fiscal Agent Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the AD Bonds then Outstanding, exclusive of AD Bonds disqualified as provided in the AD Bonds Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any AD Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any AD Bond, without the express consent of the Owner of such AD Bond, or (ii) permit the creation by the City of any pledge or lien upon the Reassessments superior to or on a parity with the pledge and lien created for the benefit of the AD Bonds (except as otherwise permitted by the 1913 Act, the Refunding Act, the AD Bonds Resolution of Issuance, the laws of the State of California, or the AD Bonds Fiscal Agent Agreement), or reduce the percentage of AD Bonds required for the amendment of the AD Bonds Fiscal Agent Agreement, or amend the provisions of the AD Bonds Fiscal Agent Agreement regarding the amendment thereof. Any such amendment may not modify any of the rights or obligations of the AD Fiscal Agent without its written consent.

(b) Without Consent. The AD Bonds Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a supplemental AD Bonds Fiscal Agent Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) Additions. To add to the covenants and agreements of the City in the AD Bonds Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power therein reserved to or conferred upon the City which will not adversely affect the rights of the Owners of the AD Bonds;

(ii) Affecting Bonds. To make modifications not adversely affecting any Outstanding AD Bonds of the City in any material respect;

(iii) Corrective Action. To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the AD Bonds Fiscal Agent Agreement, or in regard to questions arising under the AD Bonds Fiscal Agent Agreement, as the City and the AD Fiscal Agent may deem necessary or desirable and not inconsistent with the AD Bonds Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the AD Bonds; or

(iv) Tax Exemption. To make such additions, deletions, or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the AD Bonds.

Discharge of the AD Bonds Fiscal Agent Agreement

Subject to the provisions of AD Bonds Fiscal Agent Agreement regarding redemption of the AD Bonds, the City shall pay and discharge the entire indebtedness on all AD Bonds Outstanding in any one or more of the following ways:

(a) Payment. By paying or causing to be paid the principal of and interest and any premium on, all AD Bonds Outstanding, as and when the same become due and payable;

(b) Cash. By depositing with the AD Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Redemption Fund is fully sufficient to pay all AD Bonds Outstanding, including all principal, interest and redemption premium;

(c) Federal Securities. By irrevocably depositing with the AD Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine, as confirmed by an Independent Certified Public Accountant, which will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Redemption Fund, be fully sufficient to pay and discharge the indebtedness on all AD Bonds, including all principal and interest, at or before their respective maturity dates; and

(d) Actions. If such AD Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as provided in the AD Bonds Fiscal Agent Agreement or provision satisfactory to the AD Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any AD Bonds shall not have been surrendered for payment, the pledge of the Reassessments and other funds provided for in the AD Bonds Fiscal Agent Agreement and all other obligations of the City under the AD Bonds Fiscal Agent Agreement with respect to all AD Bonds Outstanding shall cease and terminate, except only the obligation of the City to pay or cause to be paid to the Owners of the AD Bonds not so surrendered and paid all sums due thereon, the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the AD Bonds from gross income for federal income tax purposes, and all amounts owing to the AD Fiscal Agent pursuant to the AD Bonds Fiscal Agent Agreement; and thereafter Reassessments shall not be payable to the AD Fiscal Agent. Notice of such election shall be filed with the AD Fiscal Agent. Any funds thereafter held by the AD Fiscal Agent upon payments of all fees and expenses of the AD Fiscal Agent, which are not required for said purpose, shall be paid over to the City to be used by the City as provided in the 1913 Act, the Refunding Act, and the 1915 Act.

THE CFD BONDS FISCAL AGENT AGREEMENT

Funds and Accounts

The following funds and accounts are created and established pursuant to the CFD Bonds Fiscal Agent Agreement and shall be maintained by the CFD Fiscal Agent for the administration and control of the Special Taxes and the proceeds of the CFD Bonds:

Special Tax Fund. Upon receipt, the Finance Director shall deposit all of the Gross Taxes received by the Community Facilities District into the Special Tax Fund. The CFD Fiscal Agent shall, on each date on which the Gross Taxes have been received by the Finance Director and deposited with the CFD Fiscal Agent, deposit the Gross Taxes in the Special Tax Fund, such Gross Taxes to be held and transferred on the dates and in the amounts set forth in the CFD Bonds Fiscal Agent Agreement, in the following order of priority, to: (1) the CFD Administrative Expense Fund; and (2) the CFD Bond Service Fund. Any amounts remaining on deposit in the Special Tax Fund when there are no longer any Bonds Outstanding shall be transferred to the CFD Rebate Fund, if necessary, and otherwise shall be transferred to the Community Facilities District and used for any lawful purpose under the Mello-Roos Act.

CFD Administrative Expense Fund. (a) On or before the date amounts are needed to pay Administrative Expenses, the CFD Fiscal Agent shall withdraw from the Special Tax Fund and place in the CFD Administrative Expense Fund an amount necessary, together with amounts on deposit therein, to pay all Administrative Expenses, but any such transfers shall not exceed, in any Fiscal Year, the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses.

(b) Upon receipt of a duly executed Administrative Expense payment request form from the Community Facilities District, the CFD Fiscal Agent shall pay the Administrative Expenses.

(c) The CFD Fiscal Agent shall transfer all amounts remaining on deposit in the CFD Administrative Expense Fund on the final maturity of the CFD Bonds, after payment of any accrued Administrative Expenses, to the Special Tax Fund.

CFD Bond Service Fund. On or before ten (10) Business Days prior to each Interest Payment Date, the CFD Fiscal Agent shall withdraw from the Special Tax Fund to the extent required, and place in the CFD Bond Service Fund an amount equal, together with amounts on deposit therein, to all of the principal and all of the interest due and payable on all of the CFD Bonds on the next Interest Payment Date. Ten (10) Business Days prior to each Interest Payment Date, the CFD Fiscal Agent shall determine if the amounts to be on deposit in the CFD Bond Service Fund (following the transfer of collected Special Taxes from the City) will be sufficient to pay all of the principal and all of the interest due and payable on the CFD Bonds on such Interest Payment Date. Upon such determination, the CFD Fiscal Agent shall immediately provide written notice to the Trustee of either (i) the sufficiency of the funds in the CFD Bond Service Fund or (ii) the insufficiency of such funds, together with the amount of such deficiency. On each Interest Payment Date, the CFD Fiscal Agent shall withdraw from the CFD Bond Service Fund and pay to the Owners of the CFD Bonds the principal of and interest then due and payable on the CFD Bonds.

The CFD Fiscal Agent shall transfer any moneys remaining in the CFD Bond Service Fund when there are no longer CFD Bonds Outstanding to the Special Tax Fund.

CFD Rebate Fund. The CFD Fiscal Agent shall establish and maintain the CFD Rebate Fund. Subject to the transfer provisions provided in the CFD Bonds Fiscal Agent Agreement, all money at any time deposited in the CFD Rebate Fund shall be held by the CFD Fiscal Agent in trust for payment to the United States of America. Neither the Community Facilities District nor the Owner of any CFD Bonds shall have any rights in or claim to such money. All amounts on deposit in the CFD Rebate Fund shall be governed by the CFD Bonds Fiscal Agent Agreement and by the tax certificate for the CFD Bonds.

Investments

Obligations purchased as investments of moneys in any fund or account in which investments are authorized shall be deemed at all times to be a part of such fund or account. Earnings on the investment of any moneys on deposit in the Special Tax Fund, the CFD Administrative Expense Fund, the CFD Bond Service Fund, or the CFD Rebate Fund shall be held in each such fund or account. Subject to the restrictions set forth in the CFD Bonds Fiscal Agent Agreement, moneys in said funds and accounts may be from time to time invested by the CFD Fiscal Agent at the written direction of an Authorized Representative of the Community Facilities District, or if no such written direction is given, in Permitted Investments described in clause (15) of the definition thereof so long as:

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

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

Subject to the restrictions set forth in the CFD Bonds Fiscal Agent Agreement, the CFD Fiscal Agent shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer for such funds and accounts or from such funds and accounts. For the purpose of determining at any given time the balance in any fund or account, any such investments constituting a part of such fund and account shall be valued at their original cost. Notwithstanding anything in the CFD Bonds Fiscal Agent Agreement to the contrary, the CFD Fiscal Agent shall not be responsible for any loss from any investments authorized pursuant to the CFD Bonds Fiscal Agent Agreement.

Covenants of the Community Facilities District

Limits on Additional Debt. The Community Facilities District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Gross Taxes, and will not issue any obligation or security superior to or on a parity with the CFD Bonds, payable in whole or in part from the Net Taxes.

Commencement of Foreclosure Proceedings. The Community Facilities District shall cause the City, for and on behalf of the Community Facilities District, to annually reconcile Special Tax levies and Special Tax collections and to initiate judicial foreclosure proceedings within ninety (90) days following the end of a Fiscal Year in which there is any delinquency in the payment of a Special Tax. The Community Facilities District shall cause the City, for and on behalf of the Community Facilities District, to diligently prosecute to completion such foreclosure proceedings as may be necessary to collect the delinquent amounts notwithstanding the payment by the County of any Special Taxes under a Teeter Plan.

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

Tax Covenants. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the CFD Bonds, the Community Facilities District will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. This covenant shall survive the payment or defeasance of the CFD Bonds.

Extension of Payment of CFD Bonds. The Community Facilities District shall not directly or indirectly extend the maturity dates of the CFD Bonds or the time of payment of interest with respect thereto. Nothing in the CFD Bonds Fiscal Agent Agreement shall be deemed to limit the right of the Community Facilities District to issue

any securities for the purpose of providing funds for the redemption of the CFD Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the CFD Bonds.

Protection of Rights. The Community Facilities District will preserve and protect the security of the CFD Bonds and the rights of the Owners of the CFD Bonds against all claims and demands of all persons, and will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the CFD Bonds Fiscal Agent Agreement or in any Bond issued pursuant to the CFD Bonds Fiscal Agent Agreement and will contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Community Facilities District that (i) the Mello-Roos Act is unconstitutional, (ii) the Special Tax is invalid, or (iii) the Special Taxes cannot be paid by the Community Facilities District for the debt service on the CFD Bonds, or (b) any other action affecting the validity of the CFD Bonds or diluting the security therefor, including any initiatives pursuant to Section 3 of Article XIII C of the California Constitution, or (c) any assertion by the United States of America or any department or agency thereof or any other person that the interest received by the bondholders is includable in gross income for federal income tax purposes, to the extent there are Special Taxes available for such purpose.

No City Covenants. The covenants contained in the CFD Bonds Fiscal Agent Agreement are covenants of the Community Facilities District only and anything therein to the contrary notwithstanding, no covenant contained therein shall be deemed to have been made by the City, other than any such covenant it may have made in its capacity as legislative body of the Community Facilities District.

Private Activity Bond Limitation. The Community Facilities District shall assure that the proceeds of the CFD Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The Community Facilities District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the CFD Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

No Arbitrage. The Community Facilities District shall not take, or permit or suffer to be taken by the Community Facilities District, the City, the CFD Fiscal Agent or otherwise, any action with respect to the proceeds of the CFD Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the CFD Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Maintenance of Tax-Exemption. The Community Facilities District shall take all actions necessary to assure the exclusion of interest on the CFD Bonds from the gross income of the Owners of the CFD Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the CFD Bonds.

Personal Liability

Neither the Community Facilities District nor the City nor any officer, agent, or employee of the Community Facilities District or the City, shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing in the CFD Bonds Fiscal Agent Agreement contained shall relieve any such entity, officer, agent, or employee from the performance of any official duty provided by law.

Supplemental CFD Bonds Fiscal Agent Agreement

Supplemental CFD Bonds Fiscal Agent Agreements without CFD Bond Owner Consent. The Community Facilities District and the CFD Fiscal Agent, may from time to time, and at any time, without notice to or consent of any of the CFD Bond Owners, enter into such supplemental CFD Bonds Fiscal Agent Agreements as shall not be inconsistent with the terms and provisions of the CFD Bonds Fiscal Agent Agreement (which supplemental CFD Bonds Fiscal Agent Agreements or agreements shall thereafter form a part thereof) for any of the following purposes:

(a) To cure any ambiguity, to correct, or supplement any provision in the CFD Bonds Fiscal Agent Agreement which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the CFD Bonds Fiscal Agent Agreement or in any supplemental CFD Bonds Fiscal Agent Agreement, provided that such action shall not adversely affect the interests of the CFD Bond Owners;

(b) To add to the covenants and agreements of and the limitations and the restrictions upon the Community Facilities District contained in the CFD Bonds Fiscal Agent Agreement, other covenants, agreements, limitations and restrictions to be observed by the Community Facilities District which are not contrary to or inconsistent with the CFD Bonds Fiscal Agent Agreement as theretofore in effect;

(c) To modify, alter, amend, or supplement the CFD Bonds Fiscal Agent Agreement for any reason in any other respect which is not materially adverse to the interests of CFD Bond Owners.

Supplemental CFD Bonds Fiscal Agent Agreement with CFD Bond Owner Consent. Exclusive of the supplemental CFD Bonds Fiscal Agent Agreements covered by the CFD Bonds Fiscal Agent Agreement, the Owners of not less than sixty percent (60%) in aggregate principal amount of the CFD Bonds then Outstanding shall have the right to consent to and approve the execution of such supplemental CFD Bonds Fiscal Agent Agreements as shall be deemed necessary or desirable for the purpose of waiving, modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the CFD Bonds Fiscal Agent Agreement or in any supplemental CFD Bonds Fiscal Agent Agreement or agreement; provided, however, that nothing in the CFD Bonds Fiscal Agent Agreement shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any CFD Bond, (b) a reduction in the principal amount of any CFD Bond or the rate of interest thereon, or (c) a reduction in the aggregate principal amount of the CFD Bonds the Owners of which are required to consent to such supplemental CFD Bonds Fiscal Agent Agreement, without the consent of the Owners of all CFD Bonds then Outstanding. Nothing contained in the CFD Bonds Fiscal Agent Agreement, however, shall be construed as making necessary the approval by CFD Bond Owners of the execution of any supplemental CFD Bonds Fiscal Agent Agreements.

Defeasance

If the Community Facilities District shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding CFD Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the CFD Bonds Fiscal Agent Agreement, then the Owners of such CFD Bonds shall cease to be entitled to the pledge of Net Taxes, and all covenants, agreements, and other obligations of the Community Facilities District to the Owners of such CFD Bonds under the CFD Bonds Fiscal Agent Agreement shall thereupon cease, terminate, and become void and be discharged and satisfied, except the Community Facilities District's obligations to comply with the tax covenants contained therein. In such event, the CFD Fiscal Agent shall execute and deliver to the Community Facilities District such instruments as may be desirable to evidence such discharge and satisfaction, and the CFD Fiscal Agent shall pay over or deliver to the Community Facilities District all money or securities held by them pursuant to the CFD Bonds Fiscal Agent Agreement which are not required for the payment of the interest due on and the principal of such CFD Bonds.

CFD Bonds for the payment of which money shall have been set aside (through deposit by the Community Facilities District or otherwise) to be held in trust by the CFD Fiscal Agent for such payment at the maturity date thereof shall be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in the CFD Bonds Fiscal Agent Agreement.

Any Outstanding CFD Bonds shall prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the CFD Bonds Fiscal Agent Agreement if (1) there shall have been deposited with the CFD Fiscal Agent either money in an amount which shall be sufficient, or Federal Securities the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the CFD Fiscal Agent at the same time, shall be sufficient to pay when due the interest due and to become due on such CFD Bonds on and prior to the maturity date thereof, and the principal of such CFD Bonds and (2) the Community Facilities District shall have given the CFD Fiscal Agent in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such CFD Bonds that the deposit required by (1) above has been made with the CFD Fiscal Agent and that such CFD Bonds are deemed to have been paid in

accordance with the CFD Bonds Fiscal Agent Agreement and stating the maturity date upon which money is to be available for the payment of the principal of such CFD Bonds. The sufficiency of any such deposit, other than money alone, must be verified by the report of an Independent Certified Public Accountant.

Neither Federal Securities nor money deposited with the CFD Fiscal Agent pursuant to the CFD Bonds Fiscal Agent Agreement nor interest or principal payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of such CFD Bonds; provided that any cash received from such interest or principal payments on such Federal Securities deposited with the CFD Fiscal Agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Federal Securities maturing at times and in amounts sufficient to pay when due the interest on and principal of such CFD Bonds on and prior to such maturity date thereof, and interest earned from such reinvestments shall be deposited in the Special Tax Fund. For the purposes of the CFD Bonds Fiscal Agent Agreement, Federal Securities shall mean and include only such securities as are not subject to redemption prior to their maturity.

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APPENDIX C

**PROPOSED FORMS OF BOND COUNSEL OPINIONS
REGARDING THE SERIES A BONDS
AND THE SERIES B BONDS**

[OPINION FOR SERIES A BONDS]

[Closing Date]

Governing Board
City of Oxnard Financing Authority
300 West Third Street
Oxnard, California 93030

Re: FINAL OPINION
\$5,180,000 City of Oxnard Financing Authority
Local Obligation Revenue Bonds
(2005 Special District Bond Refinancings)
Series A Senior Lien Bonds

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Oxnard Financing Authority (the “Authority”) in connection with the issuance by the Authority of \$5,180,000 aggregate principal amount of City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series A Senior Lien Bonds (the “Bonds”), pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, and the provisions of an Indenture of Trust, dated as of July 1, 2005 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Authority, dated the date hereof (the “Tax Certificate”), opinions of the City Attorney, certifications of the Authority and others, and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements, and procedures contained or referred to in the Indenture, 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. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are expressed only on and as of the date hereof and are based on an analysis of existing laws, regulations, rulings, and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Changes to existing law may occur hereafter and could have retroactive effect. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted, or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof.

Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions, or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities in the State of California.

We undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto. We express no opinion regarding the perfection or priority of the lien on the Revenues.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues.
3. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Except as stated in paragraph 3 above, we express no opinion as to federal or State of California tax consequences of the ownership of the Bonds, including whether interest on the Bonds is (a) included in the calculation of the amount subject to the "branch-level" tax imposed by Section 884 of the Code upon the earnings of certain foreign corporations engaged in a trade or business within the United States or (b) included in the income of certain Subchapter S corporations for purposes of the tax imposed thereon by Section 1375 of the Code. We also express no opinion as to any other federal, state, or local or any foreign tax consequences with respect to acquisition, ownership, or disposition of the Bonds.

Respectfully submitted,

[OPINION FOR SERIES B BONDS]

[Closing Date]

Governing Board
City of Oxnard Financing Authority
300 West Third Street
Oxnard, California 93030

Re: FINAL OPINION
\$2,355,000 City of Oxnard Financing Authority
Local Obligation Revenue Bonds
(2005 Special District Bond Refinancings)
Series B Subordinate Lien Bonds

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Oxnard Financing Authority (the “Authority”) in connection with the issuance by the Authority of \$2,355,000 aggregate principal amount of City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series B Subordinate Lien Bonds (the “Bonds”), pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, and the provisions of an Indenture of Trust, dated as of July 1, 2005 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Authority, dated the date hereof (the “Tax Certificate”), opinions of the City Attorney, certifications of the Authority and others, and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements, and procedures contained or referred to in the Indenture, 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. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are expressed only on and as of the date hereof and are based on an analysis of existing laws, regulations, rulings, and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Changes to existing law may occur hereafter and could have retroactive effect. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted, or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof.

Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions, or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities in the State of California.

We undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto. We express no opinion regarding the perfection or priority of the lien on the Revenues.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues.
3. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Except as stated in paragraph 3 above, we express no opinion as to federal or State of California tax consequences of the ownership of the Bonds, including whether interest on the Bonds is (a) included in the calculation of the amount subject to the "branch-level" tax imposed by Section 884 of the Code upon the earnings of certain foreign corporations engaged in a trade or business within the United States or (b) included in the income of certain Subchapter S corporations for purposes of the tax imposed thereon by Section 1375 of the Code. We also express no opinion as to any other federal, state, or local or any foreign tax consequences with respect to acquisition, ownership, or disposition of the Bonds.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by and between the City of Oxnard Financing Authority (the “Authority”) and Wells Fargo Bank, National Association, in its capacity as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the Authority of its City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series A Senior Lien Bonds (the “Series A Bonds”), and City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series B Subordinate Lien Bonds (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”). The Bonds are being issued pursuant to the provisions of an Indenture of Trust, dated as of July 1, 2005 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”), and pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, in order to provide funds to purchase the following outstanding obligations: (i) the City of Oxnard Assessment District No. 96-1 (Rose Avenue/Highway 101 Interchange Improvements) Limited Obligation Improvement Refunding Bonds, Series 2005 (the “AD Bonds”), and (ii) the Community Facilities District No. 88-1 of the City of Oxnard (Oxnard Town Center) 2005 Special Tax Refunding Bonds (the “CFD Bonds” and, together with the AD Bonds, the “Acquired Obligations”). The Authority and the Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934.

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

“*Annual Report*” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report Date*” shall mean the date in each year that is nine months after the end of the Authority’s fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

“*Dissemination Agent*” shall mean Wells Fargo Bank, National Association, or any successor Dissemination Agent designated in writing by the Authority, which successor must have filed a written acceptance of such designation with the Authority.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*National Repository*” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. A list of the approved National Repositories can be found on the Securities and Exchange Commission website at <http://www.sec.gov/info/municipal/nrmsir.htm>.

“*Official Statement*” means the Official Statement relating to the Bonds.

“*Participating Underwriter*” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Repository*” shall mean each National Repository and each State Repository.

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

“*State Repository*” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provisions of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2006, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement, with a copy to the Trustee and the Participating Underwriter. Not later than fifteen (15) calendar days prior to said date, the Authority shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the Authority. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the City of Oxnard (the “City”) may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filings of the Annual Report. The Annual Report may be filed using the SEC-Approved Electronic Transmission Facilities Provided by the Texas Municipal Advisory Council at website <http://www.disclosureusa.org>. If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Authority 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 hereunder. The Dissemination Agent may conclusively rely upon such certification of the Authority and shall have no duty or obligation to review such Annual Report.

(b) If the Authority is unable to provide evidence to the Dissemination Agent that it has delivered, or caused to be delivered, the Annual Report to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

1. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any;
2. file a report with the Authority and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided; and
3. take any other actions mutually agreed upon between the Dissemination Agent and the Authority.

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

(a) Audited financial statements of the City, which include information regarding the funds and accounts of the Authority, if any, 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 such audited financial statements are not available at the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited 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 with respect to the City, the Authority, and the Bonds for the fiscal year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for such fiscal year described in subsection (a) above:

1. Principal amount of the Bonds (including principal amount and years of maturity of Bonds, if any, called for redemption in advance of maturity), and any bonds issued to refund the same.

2. Balance in the funds and accounts established under the Indenture.
3. If the amount on deposit in the Senior Reserve Fund (taking into account any reserve fund surety bond or insurance policy) is less than the Senior Reserve Requirement, the amount of such delinquency.
4. IF the amount on deposit in the Subordinate Reserve Fund is less than the Subordinate Reserve Requirement, the amount of such delinquency.
5. A discussion of the status of any foreclosure proceedings commenced against parcels in City of Oxnard Assessment District No. 96-1 (Rose Avenue/Highway 101 Interchange Improvements) (the "Assessment District") or Community Facilities District No. 88-1 of the City of Oxnard (Oxnard Town Center) (the "Community Facilities District" and, together with the Assessment District, the "Districts").

(c) The following information for each of the Districts for the fiscal year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for such fiscal year described in subsection (a) above:

1. With respect to delinquencies (a) the tax delinquency rate for such District, as of the December 31 next preceding the Annual Report Date, for each fiscal year for which there are delinquent taxes, (b) for each such fiscal year, the number of parcels within such District delinquent in payment of taxes as of the December 31 next preceding the Annual Report Date, and (c) the amount of each delinquency, or similar information pertaining to delinquencies deemed appropriate by the Authority; provided, however, that parcels with delinquencies of \$1,000 or less may be grouped together and such information may be provided by category.
2. An update of the following information included in the Official Statement:
 - TABLE 5 – Summary of Estimated Assessed Value-to-Lien Ratios for Taxable CFD Property; and
 - APPENDIX H – Assessment District Parcels.

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, the Authority, or related public entities that 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 Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the security.

7. Modifications to rights of security holders.
8. Bond calls.
9. Defeasances.
10. Release, substitution, or sale of property securing repayments of the securities.
11. Rating changes.

(b) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, the Authority shall as soon as possible determine if such event would be material under applicable federal securities law.

(c) If the Authority determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the Authority shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository, with a copy to the Trustee and the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The obligations of the Authority and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Authority 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. If at any time there is not any other designated Dissemination Agent, the Trustee shall be appointed as the Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent may amend this Disclosure Agreement, 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 annual or event information to be provided hereunder, 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 the Authority 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 Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Authority or nationally recognized bond counsel, materially impair the interest of Bond Owners.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the 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 information, in order to provide information to investors to enable them to evaluate the ability of the Authority 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.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority 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 Authority 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 Authority 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 10. Default. In the event of a failure of the Authority to comply with any provisions of this Disclosure Agreement any Participating Underwriter or any holder or beneficial owner of the Bonds, or the Trustee on behalf of the holders 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 Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents, harmless against any loss, expense, and liabilities which it may incur 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. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the Authority pursuant to this Disclosure Agreement. The Authority shall pay the reasonable fees and expenses of the Dissemination Agent for its duties hereunder.

Section 12. Beneficiaries. The Disclosure Agreement shall inure solely to the benefit of the City, the Authority, the Dissemination Agent, the Trustee, the Participating Underwriter, and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Date: [Closing Date]

CITY OF OXNARD FINANCING AUTHORITY

By: _____
Michael J. More, Assistant Controller

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A TO CONTINUING DISCLOSURE AGREEMENT
NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Oxnard Financing Authority

Names of Bond Issues: City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series A Senior Lien Bonds, and
City of Oxnard Financing Authority Local Obligation Revenue Bonds (2005 Special District Bond Refinancings), Series B Subordinate Lien Bonds

NOTICE IS HEREBY GIVEN that the City of Oxnard Financing Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated [Closing Date]. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

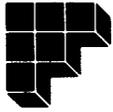
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Signatory

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APPENDIX E

SERIES A BOND INSURANCE POLICY SPECIMEN



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium:

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

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

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

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

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

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

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

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

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

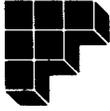
By _____

By _____
Authorized Officer

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

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL
SECURITY
ASSURANCE®**

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

ISSUER:

BONDS:

Policy No.:

Effective Date:

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

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

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

FINANCIAL SECURITY ASSURANCE INC.

By: _____
Authorized Officer

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

(212) 826-0100

Form 560NY (CA 1/91)

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The information concerning DTC set forth herein has been supplied by The Depository Trust Company ("DTC"), and the Authority assumes no responsibility for the accuracy thereof:

The Bonds will be initially delivered in the form of one fully registered Bond for each of the maturities of the Bonds, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. The following description of DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the City or the Authority, and neither the City nor the Authority shall have any liability with respect thereto. Neither the City nor the Authority shall have any responsibility or liability for any aspects of the records maintained by DTC relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Bonds.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity, corporate, and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participations") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealer, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Files 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 the 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 the 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 the 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 or 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 BY THE TRUSTEE TO DTC. IF LESS THAN ALL OF THE BONDS 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or 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 the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect 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 City or the Trustee, on the 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 (or its nominee), the Trustee, or the City or Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE AUTHORITY GIVES NO ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE BONDS RECEIVED BY DTC OR ITS NOMINEES AS THE REGISTERED OWNER, ANY REDEMPTION NOTICES, OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

APPENDIX G

RATE AND METHOD OF APPORTIONMENT OF
SPECIAL TAX
FOR COMMUNITY FACILITIES DISTRICT NO. 88-1
(OXNARD TOWN CENTER)
CITY OF OXNARD

A Special Tax applicable to each Assessor's Parcel in Community Facilities District No. 88-1 (Oxnard Town Center) (herein "CFD No. 88-1") shall be levied and collected according to the tax liability determined by the City Council of the City of Oxnard acting in its capacity as the legislative body of CFD No. 88-1 (herein the "City Council") through the application of the appropriate amount or rate for "Developed Property" or "Undeveloped Property", as described below. All of the property in CFD No. 88-1, unless exempted by law or by the provisions of Section E below, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. Definitions.

The terms hereinafter set forth have the following meanings:

"Base Maximum Special Tax" means an amount equal to \$0.16 per square foot applicable to each Developed Property.

"Developed Property" means all Assessor's Parcels in CFD No. 88-1 for which a building permit has been issued as of June 1 of the preceding Fiscal Year.

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

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C, that can be levied by the City Council in any Fiscal Year for each class of Developed Property and for Undeveloped Property, as applicable.

"Restaurant" is any stand-alone eating establishment.

"Taxable Property" is all of the area within the boundaries of CFD No. 88-1 which is not exempt from the Special Tax pursuant to law or Section E below.

"Undeveloped Property" means all Taxable Property in CFD No. 88-1 not classified as Developed Property.

B. Assignment to Land Use Class.

On July 1 of each year, all Taxable Property within CFD No. 88-1 shall be categorized either as a Developed Property or an Undeveloped Property and shall be subject to tax in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

For purposes of determining the applicable Maximum Special Tax pursuant to Section C, Developed Property shall be assigned to one of the classes designated in Table 1 below. The square footage of a building or buildings on an Assessor's Parcel shall be computed from the gross square footage for the building as reflected in the building plans upon which the building permit was issued.

C. Maximum Special Tax Rate.

1. Developed Property.

The Maximum Special Tax for an Assessor's Parcel classified as a Developed Property shall be the greater of (i) the amount derived by multiplying the square footage of such Assessor's Parcel times the Base Maximum Special Tax; or (ii) the amount determined by multiplying the gross square footage of the building or buildings to be constructed on the Assessor's Parcel times the per square foot rate determined by reference to Table 1.

In making the computations set forth in this Section C and in determining the Maximum Special Tax which may be levied in any Fiscal Year, on July 1, 1990 and on each July 1 thereafter, the Base Maximum Special Tax and the Maximum Special Tax for each class set forth in Table 1 and for Undeveloped Property shall be increased by an amount equal to 4.0% of the amount in effect for the previous Fiscal Year.

TABLE 1

Maximum Special Taxes on Property
in Community Facilities District No. 88-1
(Oxnard Town Center)
(Fiscal Year 1989-90) Per Square Foot

<u>Class</u>	<u>Land Use</u>	<u>Designation</u>	<u>Special Tax Rate for Fiscal Year 1989-90</u>
1	High-Rise Office	6 stories	\$1.06 per sq. ft.
2	Mid-Rise Office	3-6 stories	\$0.78 per sq. ft.
3	Garden Office/R&D	1-2 stories	\$0.52 per sq. ft.
4	Retail		\$1.38 per sq. ft.
5	Restaurant/ S&L/Bank/ Service Station		\$1.45 per sq. ft.
6	Hotel/Motel		\$518 per room

2. Undeveloped Property.

The Maximum Special Tax for Undeveloped Property shall be \$9,550 per acre.

D. Method of Apportionment of the Special Tax to Developed Property and Undeveloped Property.

Starting in Fiscal Year 1989-90 and for each following Fiscal Year, the City Council shall determine the amount of money to be collected from Taxable Property in CFD No. 88-1 in that Fiscal Year. Such amount shall include the sums necessary to pay for current debt service on indebtedness of CFD No. 88-1, to create or replenish bond and special reserve funds determined necessary by CFD No. 88-1, and to pay administrative expenses and construction expenses to be paid from Special Tax proceeds. The City Council shall levy the Special Tax as follows until the amount of the levy equals the amount to be collected:

First: The Special Tax shall be levied on Developed Property and Undeveloped Property (exclusive of Undeveloped Property owned by or offered for dedication to a public agency or owned by a landowner's association) in equal percentages up to the following rates: (1) for Developed Property, 87% of the applicable rate for each class for such Fiscal Year, determined by reference to Table 1;

Second: If additional moneys are needed after the first step has been completed, the Special Tax shall be levied proportionately on each parcel of Undeveloped Property (exclusive of Undeveloped Property owned by or offered for dedication to a public agency or owned by a landowner's association) up to \$8,309 per acre;

Third: If additional moneys are needed after the first two steps have been completed, then the levy of the Special Tax on Developed Property and Undeveloped Property (exclusive of Undeveloped Property owned by or offered for dedication to a public agency or owned by a landowner's association) shall be increased in equal percentages above the rates levied pursuant to the first two steps above, up to the following rates: (1) for Developed Property, up to 100% of the applicable rate for each class for such Fiscal Year, determined by reference to Table 1, and (2) for Undeveloped Property, up to \$9,550 per acre;

Fourth: If additional moneys are needed after the first three steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Base Maximum Special Tax shall be increased up to the Maximum Special Tax for each such Assessor's Parcel by increasing the applicable rate for each class for such Fiscal Year determined by reference to Table 1 in equal percentages above the rates levied pursuant to step three above;

Fifth: If additional moneys are needed after the first four steps have been completed, then the Special Tax shall be levied proportionately on each parcel of Undeveloped Property offered for dedication to a public agency or owned by a landowner's association which has not been exempted from the Special Tax pursuant to Section E, up to the Maximum Special Tax for Undeveloped Property; and

Sixth: If additional moneys are needed after the first five steps have been completed, then the Special Tax shall be levied proportionately on each parcel of Undeveloped Property conveyed to a public agency which has not been exempted from the Special Tax pursuant to Section E, up to the Maximum Special Tax for Undeveloped Property.

E. Limitations.

The City Council shall not impose any Special Tax on up to 32.24 acres of land conveyed or offered for dedication to a public agency or owned by a landowner's association. If the total number of acres of land conveyed or offered for dedication to a public agency or owned by a landowner's association exceeds 32.24 acres (consisting of a park, cultural center and streets), then the acres exceeding such total shall be taxed as Undeveloped Property to the extent set forth in steps five and six in Section D above; provided, however, that in no event shall the City Council impose a Special Tax on land which is a public right of way or which is an unmanned utility property or a property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement.

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APPENDIX H

ASSESSMENT DISTRICT PARCELS

Parcel No.	Owner	Acreage	Land Value	Structure Value	Total Value	Unbilled Principal (2005)	Value-to-Lien Ratio
144-0-142-165	WENING SCOTT T TRUST	0.69	\$ 270,349	\$ 490,743	\$ 761,092	\$ 10,787.36	70.55
142-0-211-055	WAL-MART STORES CX	13.07	6,136,176	7,429,923	13,566,099	366,736.18	36.99
142-0-211-015	WAL-MART STORES CX	1.80	843,704	291,796	1,135,500	52,422.86	21.66
142-0-211-065	WAL-MART STORES CX	1.39	646,548	212,170	858,718	40,482.08	21.21
142-0-211-105	WAL-MART STORES CX	0.22	100,742	26,454	127,196	6,407.20	19.85
144-0-132-035	WALLACE PROPERTIES INC	2.54	310,433	2,737,680	3,048,113	28,879.63	105.55
144-0-133-015	VREELAND DANIEL F TRUST	5.51	2,538,312	2,841,091	5,379,403	59,808.23	89.94
142-0-211-145	VONS COMPANIES INC	4.43	2,890,000	3,310,000	6,200,000	122,716.61	50.52
144-0-133-065	TLM AUTO INC	3.00	833,340	2,226,660	3,060,000	32,194.75	95.05
144-0-131-115	TEAM LAND LLC	5.34	1,733,350	4,929,390	6,662,740	60,762.19	109.65
144-0-131-075	TEAM LAND LLC	1.54	499,495	225,925	725,420	17,523.18	41.40
144-0-131-105	TEAM LAND LLC	1.12	363,869	156,094	519,963	12,744.13	40.80
144-0-131-085	TEAM LAND II LLC	4.46	1,444,458	2,826,183	4,270,641	50,748.95	84.15
144-0-131-095	TEAM LAND II LLC	0.54	176,421	78,044	254,465	6,144.49	41.41
213-0-081-415	ST. JOHNS REG MED CTR LESSOR	0.75	397,658	24,726,148	25,123,806	270,222.29	92.97
213-0-031-490	SINCLAIR KEITH	2.37	1,082,000	340,000	1,422,000	33,945.39	41.89
213-0-081-065	SANWALL PROPERTIES LLC	1.66	557,264	1,839,000	2,396,264	16,095.29	148.88
213-0-081-055	SANWALL PROPERTIES LLC	1.35	450,627	1,392,000	1,842,627	13,089.57	140.77
213-0-011-215	ROSE II LLC	1.72	1,039,042	1,692,601	2,731,643	50,092.96	54.53
213-0-011-225	ROSE II LLC	0.74	819,659	693,929	1,513,588	21,260.40	71.19
213-0-090-075	PACIFIC WEST CORP CENTER II	0.52	190,740		190,740	8,685.88	21.96
144-0-133-055	OXNARD REDHILL PARTNERS	4.21	1,260,090	2,424,197	3,684,287	54,930.47	67.07
144-0-134-115	OXNARD REDHILL PARTNERS	1.47	1,063,581	1,566,049	2,629,630	34,995.29	75.14
144-0-134-085	OXNARD REDHILL PARTNERS	0.82	436,379	1,173,490	1,609,869	20,348.72	79.11
144-0-134-095	OXNARD REDHILL PARTNERS	1.35	700,000	900,000	1,600,000	35,147.65	45.52
144-0-133-045	OXNARD REDHILL PARTNERS	1.16	2,041,876	3,505,646	5,547,522	90,773.69	61.11
142-0-211-195	MCGRATH-RHD PARTNERS	4.03	1,689,982	2,106,791	3,796,773	113,341.95	33.50
142-0-211-165	MCGRATH-RHD PARTNERS	0.86	577,773	1,619,655	2,197,428	24,306.82	90.40
142-0-211-245	MCGRATH-RHD PARTNERS	0.93	652,077	1,440,796	2,092,873	26,723.06	78.32
142-0-211-135	MCGRATH-RHD PARTNERS	2.28	957,108	1,218,521	2,175,629	63,771.94	34.12
142-0-211-225	MCGRATH-RHD PARTNERS	1.29	767,859	1,049,314	1,817,173	35,527.78	51.15
142-0-211-205	MCGRATH-RHD PARTNERS	1.80	1,168,111	1,021,408	2,189,519	50,628.38	43.25
142-0-211-085	MCGRATH-RHD PARTNERS	0.85	555,418	968,399	1,523,817	24,174.76	63.03
142-0-211-115	MCGRATH-RHD PARTNERS	0.83	346,688	713,211	1,059,899	22,623.11	46.85
142-0-211-185	MCGRATH-RHD PARTNERS	0.79	465,913	320,118	786,031	22,447.13	35.02
142-0-211-155	MCGRATH-RHD PARTNERS	1.45	863,563	81,731	945,294	42,229.54	22.38
142-0-211-175	MCGRATH-RHD PARTNERS	0.34	229,802	23,161	252,963	9,896.66	25.56
142-0-211-075	MCGRATH-RHD PARTNERS	0.11	72,018	7,553	79,571	3,203.60	24.84
213-0-100-075	MCGAELIC GROUP	0.92	821,575	879,654	1,701,229	11,587.79	146.81
213-0-100-055	MCGAELIC GROUP	0.57	508,714	552,836	1,061,550	7,179.39	147.86
213-0-031-430	MCGAELIC GROUP	22.95	604,915	7,891,485	8,496,400	279,842.06	30.36
213-0-031-175	MCGAELIC GROUP	8.28	140,146	7,175,607	7,315,753	129,622.18	56.44
213-0-100-065	MCGAELIC GROUP	2.20	167,694	1,743,778	1,911,472	27,709.94	68.98
213-0-100-015	MCGAELIC GROUP	1.50	161,634	1,432,524	1,594,158	18,893.14	84.38
213-0-012-055	MCGAELIC GROUP	1.59	95,797	1,346,354	1,442,151	22,401.59	64.38
213-0-100-025	MCGAELIC GROUP	0.89	68,106	1,299,895	1,368,001	11,083.98	123.42
213-0-100-035	MCGAELIC GROUP	0.80	61,884	1,043,282	1,105,166	10,076.34	109.68
213-0-031-270	MCGAELIC GROUP	1.09	20,936	983,812	1,004,748	12,671.57	79.29
213-0-100-045	MCGAELIC GROUP	1.00	76,808	852,822	929,630	12,595.43	73.81
213-0-011-245	MCGAELIC GROUP	2.93	120,092	580,327	700,419	85,332.79	8.21
213-0-012-075	MCGAELIC GROUP	2.48	101,327	378,969	480,296	35,563.04	13.51
213-0-012-065	MCGAELIC GROUP	1.08	62,409	223,691	286,100	15,448.19	18.52
213-0-011-285	MCGAELIC GROUP	0.48	18,748		18,748	15,435.64	1.21
213-0-031-250	MCGAELIC GROUP	1.28	24,643		24,643	20,597.59	1.20
213-0-031-260	MCGAELIC GROUP	1.56	30,009		30,009	25,103.35	1.20
213-0-031-205	M S SERVICES LLC	7.10	2,320,500	6,706,500	9,027,000	101,700.67	88.76
142-0-211-215	LIBAW FMILY LP LESSOR	13.96	9,120,000	5,255,000	14,375,000	391,414.41	36.73
144-0-142-205	KAVLI, FRED	5.39	1,132,734	2,655,297	3,788,031	84,869.82	44.63
144-0-142-215	KAVLI, FRED	2.07	433,810	2,192,490	2,626,300	33,149.26	79.23
213-0-090-105	KAVLI, FRED	11.85	3,709,384		3,709,384	190,531.56	19.47
213-0-081-015	JONKER WILLEM	1.46	480,804	2,698,525	3,179,329	14,156.08	224.59
213-0-090-125	HORIZON LLC	2.30	1,022,040	908,600	1,930,640	37,089.23	52.05
144-0-142-175	HEATHCOTE KENNETH	0.81	150,000	740,000	890,000	12,595.47	70.66
213-0-011-255	HANSEN PROPERTIES	2.50	1,653,345	2,729,182	4,382,527	72,805.76	60.19
213-0-011-265	GRAHAM GEORGE A JR	0.50	376,881	1,094,973	1,471,854	14,569.19	101.03
213-0-011-205	GRAHAM GEORGE A JR	0.63	109,477	4,116	113,593	18,056.80	6.29
213-0-011-275	GRAHAM GEORGE A JR	0.45	328,510		328,510	13,102.22	25.07
145-0-222-055	FREEWAY PROPERTIES LTD	0.95	265,896	1,251,262	1,517,158	27,667.61	54.84
145-0-222-065	FREEWAY PROPERTIES LTD	0.81	226,715	822,249	1,048,964	23,590.31	44.47
213-0-082-085	ESSEX TIERRA VISTA LP	5.95	2,205,240	15,179,640	17,384,880	57,981.84	299.83
144-0-144-245	DONWEN CORPORATION	4.23	7,400,000	8,593,000	15,993,000	111,286.67	143.71
144-0-144-285	DONWEN CORPORATION	3.89	4,370,000	4,342,000	8,712,000	102,341.64	85.13
144-0-144-275	DONWEN CORPORATION	0.87	1,180,000	1,369,000	2,549,000	22,888.75	111.36

Parcel No.	Owner	Acreage	Land Value	Structure Value	Total Value	Unbilled Principal (2005)	Value-to-Lien Ratio
144-0-144-225	DONWEN CORPORATION	0.89	390,000	447,000	837,000	23,414.93	35.75
144-0-144-235	DONWEN CORPORATION	0.25	300,000	349,000	649,000	6,577.23	98.67
144-0-144-265	DONWEN CORPORATION	0.17	60,000		60,000	4,472.52	13.42
144-0-144-295	DONWEN CORPORATION	15.90	0		0	418,574.68	0.00
144-0-142-155	DONWEN CORPORATION	2.97	833,405	2,207,113	3,040,518	46,487.31	65.41
144-0-142-185	DONWEN CORPORATION	1.42	301,248	815,783	1,117,031	22,094.74	50.56
144-0-142-195	DONWEN CORPORATION	0.93	222,912	554,775	777,687	14,644.48	53.10
144-0-144-155	DELNORTE POINTE PROPERTIES	0.57	293,347	857,508	1,150,855	13,863.53	83.01
144-0-144-145	DELNORTE POINTE PROPERTIES	1.03	615,706	716,880	1,332,586	27,392.28	48.65
144-0-143-065	DELNORTE POINTE PROPERTIES	1.00	950,903	714,055	1,664,958	28,233.97	58.97
144-0-131-065	DCH INVESTMENTS INC	7.49	2,835,029	8,054,663	10,889,692	71,821.15	151.62
144-0-134-125	DCH INVESTMENTS INC	6.14	2,969,562	3,955,021	6,924,583	65,469.98	105.77
144-0-134-135	DCH INVESTMENTS INC	3.97	1,731,000	427,000	2,158,000	57,077.11	37.81
144-0-134-055	DCH INVESTMENTS INC	0.88	460,000		460,000	10,005.54	45.97
144-0-133-035	DAH CHONG HONG LTD	3.48	609,372	4,719,000	5,328,372	39,567.38	134.67
213-0-090-115	CBC FEDERAL CREDIT UNION	2.45	801,520	6,190,587	6,992,107	39,508.09	176.98
144-0-141-015	CASDEN OXNARD LLC	15.03	5,248,208		5,248,208	241,860.90	21.70
144-0-141-025	CASDEN OXNARD LLC	3.83	1,337,248		1,337,248	61,631.86	21.70
144-0-141-035	CASDEN OXNARD LLC	6.36	2,220,434		2,220,434	106,689.18	20.81
213-0-011-195	BABY SUPERSTORE INC	3.52	2,115,194	2,946,312	5,061,506	102,515.82	49.37
213-0-011-175	ACG-BEST BUY INVESTORS	5.70	4,052,166	4,052,166	8,104,332	166,005.76	48.82
142-0-211-125	3773 INVESTMENTS	2.83	1,829,065	2,682,636	4,511,701	78,288.01	57.63
213-0-031-480	1950 WILLIAMS DRIVE LLC	12.64	1,574,708	8,361,136	9,935,844	181,042.08	54.88
Totals/Average		296.10	\$108,494,225	\$209,583,376	\$318,077,601	\$5,855,000.00	54.33

Source: NBS Government Finance Group (CD-DATA provided Ventura County Secured Lien Date Roll 2005-2006 as of July 2005).

