

NEW ISSUE — BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Series 1996 Bonds is exempt from State of California personal income taxes. NO ATTEMPT HAS BEEN MADE OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES OF INTEREST ON THE SERIES 1996 BONDS, AND SUCH INTEREST WILL BE SUBJECT TO ALL APPLICABLE FEDERAL TAXATION. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1996 Bonds. See "TAX MATTERS" herein.

\$3,265,000

**BELMONT REDEVELOPMENT AGENCY
LOS COSTANOS COMMUNITY DEVELOPMENT PROJECT AREA
HOUSING SET-ASIDE TAX ALLOCATION BONDS (TAXABLE), SERIES 1996**

Dated: April 1, 1996

Due: August 1, as shown below

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 1996 Bonds are issuable in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 1996 Bonds. Individual purchases of interests in the Series 1996 Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Series 1996 Bonds purchased. Principal and interest are payable directly to DTC by First Trust of California, National Association, San Francisco, California, as trustee. Principal is payable on the dates set forth below. Interest is payable on February 1 and August 1 of each year, commencing August 1, 1996. Upon receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC Participants for subsequent disbursement to purchasers of interests in the Series 1996 Bonds, as described herein.

The Series 1996 Bonds are subject to redemption as described herein.

The Series 1996 Bonds are being issued for the purpose of providing funds to increase, improve and preserve low and moderate income housing within the Los Costanos Community Development Project of the Agency (the "Project Area"); to fund a reserve account and to pay certain costs of issuance of the Series 1996 Bonds, as more fully described herein.

The Series 1996 Bonds are payable from and secured by Housing Set-Aside Amounts as defined herein derived from the Project Area. See "RISK FACTORS" and "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS" herein for a discussion of certain risks and limitations relating to the Housing Set-Aside Amounts available in the future.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



THE SERIES 1996 BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY PAYABLE EXCLUSIVELY FROM HOUSING SET-ASIDE AMOUNTS AND CERTAIN FUNDS ESTABLISHED PURSUANT TO THE INDENTURE (DEFINED HEREIN), AND THE AGENCY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE HOUSING SET-ASIDE AMOUNTS AND SUCH FUNDS. THE SERIES 1996 BONDS ARE NOT A DEBT OF THE CITY OF BELMONT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER SAID CITY, SAID STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR. THE AGENCY HAS NO TAXING POWER. THE SERIES 1996 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**MATURITY SCHEDULE
\$1,080,000 Serial Bonds**

| <u>Maturity (August 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Price or Yield</u> | <u>Maturity (August 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Price or Yield</u> |
|--------------------------------|-----------------------------|--------------------------|---------------------------|--------------------------------|-----------------------------|--------------------------|---------------------------|
| 1997 | \$ 80,000 | 6½% | 6% | 2002 | \$110,000 | 6¾% | 7% |
| 1998 | 85,000 | 6½ | 6¼ | 2003 | 115,000 | 7 | 7.10 |
| 1999 | 90,000 | 6½ | 100 | 2004 | 125,000 | 7¼ | 7.20 |
| 2000 | 95,000 | 6.70 | 100 | 2005 | 135,000 | 7¼ | 7.30 |
| 2001 | 100,000 | 6.80 | 6.90 | 2006 | 145,000 | 7.30 | 7.40 |

\$895,000 Term Bonds Due August 1, 2011 at 7.55% — Yield 7.72%

\$1,290,000 Term Bonds Due August 1, 2016 at 7¼% — Yield 7.90%
(Plus Accrued Interest)

The Series 1996 Bonds are offered, when, as and if issued and received by the Underwriter, subject to approval as to validity by Orrick, Herrington & Sutcliffe, San Francisco, California, Bond Counsel and to certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Brown & Wood, San Francisco, California, and for the Agency by its counsel, Goldfarb & Lipman, San Francisco, California. It is anticipated that the Series 1996 Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about April 10, 1996.

Rauscher Pierce Refsnes, Inc.

Dated: March 27, 1996

No dealer, broker, salesperson or other person has been authorized by the Agency, the Agency's Financial Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 1996 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

This Official Statement is not to be construed as a contract with the purchasers of the Series 1996 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Series 1996 Bonds will not be registered under the Securities Act of 1933, as amended, or any other applicable securities law (including the Blue Sky 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 SERIES 1996 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**BELMONT REDEVELOPMENT AGENCY
BELMONT, CALIFORNIA**

AGENCY BOARD MEMBERS/CITY COUNCIL

Nancy Levitt, Chairman/Mayor
Gary Harris, Vice Chairman/Vice Mayor
Adele Della-Santina, Member
Coralin Feierbach, Member
Pamela Rianda, Member

AGENCY/CITY STAFF

Damon B. Edwards, Executive Director/City Manager
Sandra C. Salerno, Financial Officer/Assistant City Manager/Finance Director
Daniel Vanderpriem, Administrative Officer/Planning and Community Development Director
Kathy Kern, Secretary of the Agency

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe
San Francisco, California

Trustee

First Trust of California, National Association
San Francisco, California

Financial Advisor

William Euphrat Municipal Finance, Inc.
San Francisco, California

Agency Counsel

Goldfarb & Lipman
San Francisco, California

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\$3,265,000
BELMONT REDEVELOPMENT AGENCY
LOS COSTANOS COMMUNITY DEVELOPMENT PROJECT AREA
HOUSING SET-ASIDE TAX ALLOCATION BONDS (TAXABLE), SERIES 1996

INTRODUCTORY STATEMENT

General. This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Belmont Redevelopment Agency (the "Agency") of \$3,265,000 aggregate principal amount of its Los Costanos Community Development Project Area Housing Set-Aside Tax Allocation Bonds (Taxable), Series 1996 (the "Series 1996 Bonds," and together with any Additional Bonds hereafter issued under the Indenture described herein, the "Bonds"). See "SECURITY FOR THE BONDS - Issuance of Additional Bonds" herein.

The City, the Agency and the Project. The City of Belmont (the "City") encompasses approximately 4.3 square miles and is located in the County of San Mateo, approximately 25 miles south of San Francisco. The Agency was established pursuant to the Law (as defined below) and commenced its activities during fiscal year 1981-82. The five members of the City Council serve as the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. On November 24, 1981, the City Council first adopted the Los Costanos Community Development Plan by Ordinance No. 692. On September 10, 1991, the City Council adopted a First Amended and Restated Los Costanos Community Development Plan by Ordinance No. 849 (as amended, the "Redevelopment Plan"). The Redevelopment Plan provides for redevelopment (the "Redevelopment Project") within the Los Costanos Community Development Project Area (the "Project Area") consisting of 560 acres in the eastern portion of the City, extending in a general east-westerly direction from the San Francisco Bay to the foot of the hills just beyond the El Camino Real, and bounded to the north and to the south by the City limits. The Project Area contains a majority of the City's commercial and industrial areas, as well as several residential neighborhoods and the City's major public facilities.

Authority for Issuance of Series 1996 Bonds. The Series 1996 Bonds are being issued pursuant to the Constitution and the laws of the State of California (the "State"), including the California Community Redevelopment Law (Part 1, commencing with Section 33000, of Division 24 of the Health and Safety Code of the State) (the "Law") and an Indenture of Trust, dated as of March 1, 1996 (the "Indenture"), by and between the Agency and First Trust of California, National Association, San Francisco, California, as Trustee (the "Trustee").

Purpose of Series 1996 Bonds. The Series 1996 Bonds are being issued for the purpose of providing funds to increase, improve and preserve the low and moderate income housing within the City, to fund a reserve account and to pay certain costs of issuance of the Series 1996 Bonds as more fully described herein.

Tax Allocation Financing. The Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as described above.

Security for the Bonds. The Series 1996 Bonds are payable from and secured by Housing Set-Aside Amounts as described herein. Housing Set-Aside Amounts are the amounts of Tax Increment Revenues (as defined herein) required to be set aside for low and moderate income housing purposes under the Law (see "SECURITY FOR THE BONDS - Housing Set-Aside Amounts" and "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS - Low and Moderate Income Housing"). The Series 1996 Bonds will be payable from Housing Set-Aside Amounts on a parity with any Additional Bonds that may be issued in the future pursuant to the Indenture. See "SECURITY FOR THE BONDS - Issuance of Additional Bonds" herein.

Any future decrease in the assessed valuation in the Project Area, the applicable tax rates, tax collection rates or the occurrence of other events as described under "RISK FACTORS" and "LIMITATIONS ON TAX INCREMENT REVENUE AND RELATED MATTERS" herein is likely to reduce the Housing Set-Aside Amounts allocated to the Agency from the Project Area and consequently would have an adverse impact on the amount of Housing Set-Aside Amounts available to pay debt service on the Series 1996 Bonds. See "RISK FACTORS" herein.

Bond Insurance. Payment of the principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by MBIA Insurance Corporation (the "Insurer"). See "BOND INSURANCE" herein and "APPENDIX G - SPECIMEN BOND INSURANCE POLICY" attached hereto.

Continuing Disclosure. The Agency will covenant for the benefit of Bondholders to provide certain financial information and operating data relating to the Agency by not later than January 31 in each year commencing January 31, 1997 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. See "CONTINUING DISCLOSURE" and "APPENDIX F - FORM OF THE CONTINUING DISCLOSURE AGREEMENT" attached hereto.

Miscellaneous. Brief descriptions of the Series 1996 Bonds, the Indenture, the Agency, the Project Area and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each such summary and reference is qualified in its entirety by reference to such document, statute, report or instrument, copies of which are all available for inspection at the offices of the Agency. Capitalized terms not otherwise defined herein shall have the meanings set forth in Appendix A hereto under the caption "Definitions."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds, excluding accrued interest, are as follows:

Sources:

| | |
|---|-----------------------|
| Principal Amount of the Series 1996 Bonds | \$3,265,000.00 |
| Less Original Issue Discount | <u>(36,355.10)</u> |
| TOTAL | <u>\$3,228,644.90</u> |

Uses:

| | |
|--|-----------------------|
| Deposit to Project Fund | \$2,677,754.96 |
| Deposit to Reserve Account | 323,387.50 |
| Costs of Issuance and Underwriter's Discount | <u>227,502.44</u> |
| TOTAL | <u>\$3,228,644.90</u> |

THE SERIES 1996 BONDS

General

The Series 1996 Bonds will be issued as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as securities depository for the Series 1996 Bonds. Individual purchases of Series 1996 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. The Series 1996 Bonds will be issued in the principal amounts, will be dated and will bear interest at the rates and mature on the dates and in the amounts set forth on the cover page of this Official Statement. Interest on the Series 1996 Bonds is payable on August 1, 1996, and semiannually thereafter on each February 1 and August 1, calculated on the basis of a 360-day year composed of twelve 30-day months. Principal and interest are payable by First Trust of California, National Association, San Francisco, California, as Trustee, to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the Series 1996 Bonds. For further information regarding the book-entry system, see Appendix B attached hereto.

Redemption

Optional Redemption. Series 1996 Bonds maturing on or before August 1, 2006 are not subject to optional redemption prior to their respective maturity dates. Series 1996 Bonds maturing on or after August 1, 2006, as a whole on any date or in part on any interest payment date, at the option of the Agency and from the maturity or maturities designated by the Agency (and by lot within any one maturity), from any source of available funds, at a redemption price (expressed as a percentage of the principal amount of Series 1996 Bonds called for redemption), together with accrued interest thereon to the date fixed for redemption, as follows:

| <u>Redemption Period</u> | <u>Redemption Price</u> |
|---------------------------------|-------------------------|
| August 1, 2006 to July 31, 2007 | 102% |
| August 1, 2007 to July 31, 2008 | 101 |
| August 1, 2008 and thereafter | 100 |

Mandatory Redemption. The Series 1996 Bonds maturing on August 1, 2011 and August 1, 2016 are also subject to mandatory redemption prior to maturity, in part by lot on each August 1, on or after August 1, 2007 and August 1, 2012, respectively, from mandatory sinking account payments due on such dates, at a prepayment price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, according to the following schedule (subject to modification in the event of optional redemption as described above):

Series 1996 Term Bonds maturing August 1, 2011

| <u>Redemption Date (August 1)</u> | <u>Principal Amount</u> |
|---------------------------------------|-------------------------|
| 2007 | \$155,000 |
| 2008 | 165,000 |
| 2009 | 180,000 |
| 2010 | 190,000 |
| 2011 | 205,000 ^(†) |

† Maturity.

Series 1996 Term Bonds maturing August 1, 2016

| <u>Redemption Date (August 1)</u> | <u>Principal Amount</u> |
|---------------------------------------|-------------------------|
| 2012 | \$220,000 |
| 2013 | 240,000 |
| 2014 | 255,000 |
| 2015 | 275,000 |
| 2016 | 300,000 ^(†) |

† Maturity.

If the book-entry system with DTC is discontinued and if less than all outstanding Series 1996 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Series 1996 Bonds of such maturity date to be redeemed by lot. If outstanding Series 1996 Bonds maturing by their terms on more than one date are to be redeemed at any one time, the Agency

shall select the maturity dates of the Series 1996 Bonds to be so redeemed. See also "APPENDIX B - BOOK-ENTRY SYSTEM" attached hereto.

Notice of Redemption. Notice of redemption is required to be mailed by the Trustee by first class mail to the registered owner of each Series 1996 Bond selected for redemption at the address shown on the registration books of the Trustee not less than thirty (30) nor more than sixty (60) days prior to such redemption date. The notice of redemption shall state (a) the date of such notice; (b) the redemption price; (c) the place of redemption (including the name and appropriate address of the Trustee); and (d) the CUSIP numbers (if any) of the maturity or maturities, and if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 1996 Bonds of such maturity to be redeemed and, in the case of Series 1996 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will be due and payable on each Series 1996 Bonds the redemption price thereof and in the case of a Series 1996 Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with accrued interest thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue and shall require that such Series 1996 Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

Failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Series 1996 Bonds.

So long as the Series 1996 Bonds are in the DTC book-entry system, the Agency and the Trustee shall be entitled to treat DTC as the sole owner of the Series 1996 Bonds for purposes of redemption notices.

Effect of Redemption. If notice of redemption has been duly given and money for the payment of the redemption price of the Series 1996 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the Series 1996 Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such Series 1996 Bonds will cease to accrue, and the holders of such Series 1996 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Purchase of Series 1996 Bonds

Upon the written request of the Agency, the Trustee will purchase outstanding Series 1996 Bonds at public or private sale as and when and at such prices as the Trustee is instructed by the Agency, but only at prices (including brokerage or other expenses but excluding accrued interest) of not more than par plus redemption premium, if any, that would be payable on such Series 1996 Bonds upon redemption.

Debt Service

Set forth below is the schedule of debt service for the Series 1996 Bonds.

DEBT SERVICE ON THE SERIES 1996 BONDS

| <u>Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Semi-Annual Debt Service</u> | <u>Annual Debt Service</u> |
|---------------|---------------------------|------------------------------|-------------------------------------|--------------------------------|
| 8/1/96 | | \$ 80,726.25 | \$ 80,726.25 | \$ 80,726.25 |
| 2/1/97 | | 121,089.38 | 121,089.38 | |
| 8/1/97 | \$ 80,000 | 121,089.38 | 201,089.38 | 322,178.75 |
| 2/1/98 | | 118,489.38 | 118,489.38 | |
| 8/1/98 | 85,000 | 118,489.38 | 203,489.38 | 321,978.75 |
| 2/1/99 | | 115,726.88 | 115,726.88 | |
| 8/1/99 | 90,000 | 115,726.88 | 205,726.88 | 321,453.75 |
| 2/1/00 | | 112,801.88 | 112,801.88 | |
| 8/1/00 | 95,000 | 112,801.88 | 207,801.88 | 320,603.75 |
| 2/1/01 | | 109,619.38 | 109,619.38 | |
| 8/1/01 | 100,000 | 109,619.38 | 209,619.38 | 319,238.75 |
| 2/1/02 | | 106,219.38 | 106,219.38 | |
| 8/1/02 | 110,000 | 106,219.38 | 216,219.38 | 322,438.75 |
| 2/1/03 | | 102,438.13 | 102,438.13 | |
| 8/1/03 | 115,000 | 102,438.13 | 217,438.13 | 319,876.25 |
| 2/1/04 | | 98,413.13 | 98,413.13 | |
| 8/1/04 | 125,000 | 98,413.13 | 223,413.13 | 321,826.25 |
| 2/1/05 | | 93,960.00 | 93,960.00 | |
| 8/1/05 | 135,000 | 93,960.00 | 228,960.00 | 322,920.00 |
| 2/1/06 | | 89,066.25 | 89,066.25 | |
| 8/1/06 | 145,000 | 89,066.25 | 234,066.25 | 323,132.50 |
| 2/1/07 | | 83,773.75 | 83,773.75 | |
| 8/1/07 | 155,000 | 83,773.75 | 238,773.75 | 322,547.50 |
| 2/1/08 | | 77,922.50 | 77,922.50 | |
| 8/1/08 | 165,000 | 77,922.50 | 242,922.50 | 320,845.00 |
| 2/1/09 | | 71,693.75 | 71,693.75 | |
| 8/1/09 | 180,000 | 71,693.75 | 251,693.75 | 323,387.50 |
| 2/1/10 | | 64,898.75 | 64,898.75 | |
| 8/1/10 | 190,000 | 64,898.75 | 254,898.75 | 319,797.50 |
| 2/1/11 | | 57,726.25 | 57,726.25 | |
| 8/1/11 | 205,000 | 57,726.25 | 262,726.25 | 320,452.50 |
| 2/1/12 | | 49,987.50 | 49,987.50 | |
| 8/1/12 | 220,000 | 49,987.50 | 269,987.50 | 319,975.00 |
| 2/1/13 | | 41,462.50 | 41,462.50 | |
| 8/1/13 | 240,000 | 41,462.50 | 281,462.50 | 322,925.00 |
| 2/1/14 | | 32,162.50 | 32,162.50 | |
| 8/1/14 | 255,000 | 32,162.50 | 287,162.50 | 319,325.00 |
| 2/1/15 | | 22,281.25 | 22,281.25 | |
| 8/1/15 | 275,000 | 22,281.25 | 297,281.25 | 319,562.50 |
| 2/1/16 | | 11,625.00 | 11,625.00 | |
| 8/1/16 | <u>300,000</u> | <u>11,625.00</u> | <u>311,625.00</u> | <u>323,250.00</u> |
| TOTAL: | <u>\$3,265,000</u> | <u>\$3,243,441.25</u> | <u>\$6,508,441.25</u> | <u>\$6,508,441.25</u> |

SECURITY FOR THE BONDS

Tax Allocation Financing

The Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as provided under the Law.

Allocation of Taxes

As provided in the redevelopment plan for the Project Area (the "Redevelopment Plan"), and pursuant to Article 6 of Chapter 6 of the Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State and any city, county, city and county, district or other public corporation (herein collectively referred to as "taxing agencies") for fiscal years beginning after the January 1 subsequent to the effective date of the ordinance adopting the Redevelopment Plan for the Project Area, or any amendment with respect to such, are divided as follows:

1. **To taxing agencies:** That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the ordinance approving the redevelopment plan, shall be allocated to, and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid; and

2. **To the Agency:** Except for taxes which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective taxing agency, that portion of said levied taxes each year in excess of such amount shall be allocated to, and when collected, shall be paid to the Agency to pay principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, redevelopment projects.

Housing Set-Aside Amounts

The Bonds (which includes the Series 1996 Bonds) are secured by and payable from an irrevocable pledge of and lien upon Housing Set-Aside Amounts and moneys held in certain funds and accounts under the Indenture. The Indenture defines "Housing Set-Aside Amounts" to mean that portion of Tax Increment Revenues required to be set aside and deposited in the Low and Moderate Income Housing Fund pursuant to Section 33334.2, 33334.6 or 33487 of the Law or such greater amount of Tax

Increment Revenues as provided in the Indenture, but in any event not to exceed 20% of the Tax Increment Revenues. See "APPENDIX A - SUMMARY OF THE PRINCIPAL PROVISIONS OF THE INDENTURE OF TRUST - Certain Covenants of the Agency - Protection of Security and Rights of Holders" herein. The Indenture defines "Tax Increment Revenues" to mean all taxes allocated and paid to the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, and as provided in the Redevelopment Plan, including all payments and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations.

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could have the effect of reducing the amount of Housing Set-Aside Amounts that would otherwise be available to pay the principal of, and interest on the Bonds. Likewise, the reduction of assessed valuations of taxable property in the Project Area, any reduction in tax rates or tax collection rates and broadened property tax exemptions could have a similar effect. See "RISK FACTORS" and "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS" herein.

THE SERIES 1996 BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY PAYABLE EXCLUSIVELY FROM HOUSING SET-ASIDE AMOUNTS, AND THE AGENCY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE HOUSING SET-ASIDE AMOUNTS. THE SERIES 1996 BONDS ARE NOT A DEBT OF THE CITY OF BELMONT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER SAID CITY, SAID STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR. THE AGENCY HAS NO TAXING POWER. THE SERIES 1996 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Application of Housing Set-Aside Amounts

The Indenture creates a trust fund called the Housing Special Fund held by the Agency. Pursuant to the Indenture, the Agency has covenanted to establish and maintain within the Housing Special Fund an account designated as the "Debt Service Account." On or before July 20 of each year, commencing July 20, 1996, the Agency is required to transfer from the Housing Special Fund to the Debt Service Account an amount of money which, together with any money contained in the Debt Service Account, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date, one-half of the aggregate amount of the principal becoming due and payable on all Outstanding Bonds on the next succeeding principal payment date and the amount, if any, necessary to maintain the Reserve Account in the full amount of the Reserve Account Requirement. On or before January 20 of each year, commencing January 20, 1997, the Agency is required to transfer from the Housing Special Fund to the Debt Service Account an amount of money which, together with any money contained in the Debt Service Account, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date and one-half of the aggregate amount of the principal becoming due and payable on all Outstanding Bonds on the next succeeding principal payment date. After the foregoing transfers are made to the Debt Service Account, all moneys in the Housing Special Fund (except for amounts in the Debt Service Account) is available to the Agency for any lawful purpose. The Housing Set-Aside Amounts accumulated in the Debt Service Account within the Housing Special Fund are required to be transferred by the Agency to the Trustee in

order to pay the principal of and interest on the Bonds and to make any deposits necessary to maintain the Reserve Account at the Reserve Account Requirement.

Reserve Account Deposit

In order to further secure the payment of principal of and interest on the Series 1996 Bonds, the Agency is required upon delivery of the Series 1996 Bonds to deposit into the Reserve Account under the Indenture an amount equal to the maximum annual debt service on the Series 1996 Bonds (the "Reserve Account Requirement"). See "ESTIMATED SOURCES AND USES OF FUNDS" herein and "Application of Housing Set-Aside Amounts - Reserve Account" above.

All or any portion of the Reserve Account Requirement for the Series 1996 Bonds may be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with moneys on deposit in the Reserve Account, provide an aggregate amount equal to the Reserve Account Requirement; provided, that the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility must be rated in one of the two highest rating categories by Moody's Investors Service or Standard & Poor's Ratings Group at the time of delivery of such credit facility.

Issuance of Additional Bonds

The Agency may at any time issue additional Bonds ("Additional Bonds") payable from the Housing Set-Aside Amounts and secured by a lien and charge upon the Housing Set-Aside Amounts equal to the lien securing the outstanding Series 1996 Bonds, and any other then outstanding Bonds issued in accordance with the Indenture, but only subject to specific conditions, which are conditions precedent to the issuance of any such Additional Bonds. See "APPENDIX A - SUMMARY OF PRINCIPAL PROVISIONS OF THE INDENTURE OF TRUST - Issuance of Additional Bonds" attached hereto.

BOND INSURANCE

No representation is made by the Agency as to the accuracy or adequacy of the following information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct. The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix G for a specimen of the Insurer's policy (the "Policy").

The Policy and the Insurer

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Agency to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on the Series 1996 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is

subsequently recovered from any Series 1996 Bondowner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Series 1996 Bondowner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 1996 Bond. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; or (iii) any Preference relating to (i) and (ii) above. The Policy also does not insure against nonpayment of principal of or interest on the Series 1996 Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 1996 Bonds.

Upon receipt of telephone or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any Series 1996 Bondowner the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 1996 Bonds or presentment of such other proof of ownership of the Series 1996 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 1996 Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer, as agent for such Series 1996 Bondowners in any legal proceeding related to payment of insured amounts on the Series 1996 Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such Series 1996 Bondowners or the Trustee payment of the insured amounts due on such Series 1996 Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The Insurer, formerly known as Municipal Bond Investors Assurance Corporation, is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has one European branch in the Republic of France.

As of September 30, 1995, the Insurer had admitted assets of \$3.7 billion (unaudited), total liabilities of \$2.5 billion (unaudited), and total capital and surplus of \$1.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 1994, the Insurer had admitted assets of \$3.4 billion (audited), total liabilities of \$2.3 billion (audited), and total capital and surplus of \$1.1 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. All information regarding the Insurer, a wholly owned subsidiary of MBIA Inc., including the financial statements of the Insurer for the year ended December 31, 1994, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 1994, is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof. Any statement contained in a document incorporated by reference herein shall be modified or superseded for purposes of this Official Statement to the extent that a statement

contained herein or in any other subsequently filed document which also is incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504.

Moody's Investors Service ("Moody's") rates the claims paying ability of the Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), rates the claims paying ability of the Insurer "AAA".

Fitch Investors Service, L.P., rates the claims paying ability of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 1996 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the Series 1996 Bonds. The Insurer does not guaranty the market price of the Series 1996 Bonds nor does it guaranty that the ratings on the Series 1996 Bonds will not be reversed or withdrawn.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage 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.

Disclaimer

The information relating to the Insurer and the Policy above has been furnished by the Insurer. No representation is made by the Agency or the Underwriter as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of the Insurer subsequent to the date of this Official Statement. Additional financial information with respect to the Insurer is on file with the State of New York Insurance Department. Prospective purchasers of the Series 1996 Bonds may contact such Insurance Department to obtain such information. See "APPENDIX G - SPECIMEN BOND INSURANCE POLICY" attached hereto.

RISK FACTORS

The following information is considered to be of particular significance in making an investment decision with respect to the Series 1996 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Series 1996 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Series 1996 Bonds, including but not limited to the sections herein entitled "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS" and "FINANCIAL INFORMATION REGARDING HOUSING SET-ASIDE AMOUNTS." There can be no assurance that other risk factors will not become material in the future.

Reduction in Assessed Value

General. Housing Set-Aside Amounts allocated to the Agency are determined by the amount of taxable value in the Project Area in excess of the base year valuation and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by factors beyond the Agency's control, such as declines in the real estate market for properties located in the Project Area, a decline in the general economy of the Project Area, a relocation out of the Project Area by one or more major property owners, the sale of property to a nonprofit, tax-exempt corporation or the complete or partial destruction of such property caused by, among other eventualities, an earthquake or other natural disaster, could cause a reduction in the Housing Set-Aside Amounts securing the Series 1996 Bonds. See "FINANCIAL INFORMATION REGARDING HOUSING SET-ASIDE AMOUNTS - Major Property Taxpayers" for a description of the major property taxpayers within the Project Area.

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. From time to time certain counties, including the County, have also, on their own initiative, reduced assessed values for large numbers of properties due to county-wide declines in market values. Any resulting reduction in the full cash value base over the term of the Series 1996 Bonds is likely to reduce Housing Set-Aside Amounts securing the Series 1996 Bonds. See "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS - Property Tax Limitations: Article XIII A of the California Constitution" herein.

Appeals to Assessed Value. There are two types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the Assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2 percent annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to California law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in form

prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In San Mateo County, a property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the San Mateo County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent) following the year for which the reduction application is filed. However, the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such reduced assessment may and often does remain in effect beyond the year in which it is granted. Successful appeals may result in refunds being owed by the County (and thus by the Agency) for past tax collections attributable to any reduction to assessed value.

Officials of the County of San Mateo Auditor's Office and the County of San Mateo Assessment Appeals Board have reported a number of recent appeals to assessed values of properties in the Project Area. Certain of these appeals involve the assessed values of the larger secured property taxpayers in the Project Area. See "FINANCIAL INFORMATION REGARDING HOUSING SET-ASIDE AMOUNTS - Major Property Taxpayers" herein. The information received regarding appeals is believed to be accurate but has been received from third party sources.

Further appeals to assessed values in the Project Area should be expected to be filed from time to time in the future. The Agency cannot predict the extent of these appeals or their likelihood of success.

Investment of Funds

The Reserve Account and all other funds held by the Trustee under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See Appendix A attached hereto for a summary of the definition of Permitted Investments. The Project Fund, into which the net proceeds of the Bonds will be deposited, and the Housing Special Fund, into which all Housing Set-Aside Amounts will be initially deposited, will be held by the Agency and may be invested by the Agency in any investment authorized by law. See the audited financial statements of the Agency attached hereto as Appendix C for a description of the Agency's investments as of June 30, 1995. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture could have a material adverse affect on the security for the Series 1996 Bonds.

Bankruptcy

The rights and obligations under the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinion of Bond Counsel regarding the valid and binding nature of the obligations under the Bonds and the Indenture will be qualified as to, among other items, bankruptcy and such other legal matters. See "APPENDIX E - FORM OF OPINION OF BOND COUNSEL" attached hereto.

Further, the Agency cannot predict the effects on Tax Increment Revenues caused by the insolvency or bankruptcy of the City or the County, if such event were to occur.

The bankruptcy of a major assessee in the Project Area could delay and/or impair the collection of property taxes by the County with respect to properties in the bankruptcy estate. Although the Agency is not aware of any major property owners in the Project Area that are in bankruptcy or threatening to declare bankruptcy, the Agency cannot predict the effects on the collections of Tax Increment Revenues if such an event were to occur.

Low and Moderate Income Housing Fund

The Law currently requires that, except under certain circumstances, redevelopment agencies set aside 20 percent of Tax Increment Revenues derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing (the "Housing Set-Aside Requirement"). The provisions of the Law regarding the funding of low and moderate and income housing funds have been frequently amended since their original adoption. In addition, the interpretations of these laws by the California Attorney General and redevelopment agency counsels throughout the State have at times been subject to variation and change. While the Agency is of the opinion that it has been in compliance with the provisions of the Law regarding its Low and Moderate Income Housing Fund, there can be no assurance as to whether a claim challenging the Agency's practices in this area might be filed. See "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS -- Low and Moderate Income Housing" herein.

Change in Redevelopment Law

The Agency has no independent power to levy and collect property taxes. There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Law or other laws or the Constitution resulting in a reduction of Housing Set-Aside Amounts securing the Series 1996 Bonds. See "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS - State Shifts of Tax Increment; Future Changes in Law" herein. If any such subsequent initiative or legislation would impair the Agency's ability to pay debt service on the Series 1996 Bonds, such initiative or legislation may be subject to legal challenge.

LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS

Property Tax Limitations: Article XIII A of the California Constitution

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property 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 may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property from the one percent limitation.

On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases.

In the general elections of 1986, 1988 and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment will reduce the local property tax revenues. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and on or after November 5, 1986, buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers of assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within the county and the original property is located in another county within California. The County of San Mateo has adopted the ordinance regarding residences replacing dwellings in other counties.

In the August 1990 election, the voters approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Both the United States Supreme Court and the California Supreme Court have upheld the validity of Article XIII A. While it appears that the constitutional challenges to Article XIII A are exhausted, the Agency cannot predict what impact any future developments with respect to Article XIII A might have on the Agency's receipt of tax increment.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, effective as of the 1981/82 fiscal year, assessors in California no longer record property values on the tax rolls at the assessed value of 25 percent of market value. All taxable property is shown at full market value. In conformity with this change in procedure, all taxable property value included in this Official Statement is shown at 100 percent of market value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for bond debt service are also applied to 100 percent of market value.

Property Tax Collection Procedures

Classifications. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured". Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Current tax payment practices by the County provide for payment to the Agency of Tax Increment Revenues (other than supplemental assessments) in December and April of each year. The County has adopted the Teeter Plan and therefore the Agency expects to receive 100 percent of its annual apportionment of tax increment allocable to the secured roll, regardless of the collection rate within the Project Area (see "Teeter Plan" below). The County also follows a policy of crediting the Agency with 100 percent of its annual apportionment of tax increment attributable to the unsecured roll.

Penalties. A 10 percent penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1½ percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property

is subject to sale by the county tax collector. A 10 percent penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1½ percent per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. AB 2372 (Chapter 1230, Statutes of 1989) provides that each county is to distribute property tax revenues to local agencies (such as the Agency) in accordance with certain provisions of the California Revenue and Taxation Code, but that penalties and interest on property tax delinquencies are to be deposited in the County's general fund.

Delinquencies. The valuation of property is determined as of March 1 (January 1 beginning for fiscal year 1997-98) each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The County has adopted the Teeter Plan and therefore the Agency expects to receive 100 percent of its apportionment of tax increment allocable to the secured roll, without deductions for delinquencies (see "Teeter Plan" below). The County also follows a policy of crediting the Agency with 100 percent of its annual apportionment of tax increment attributable to the unsecured roll. The County retains all penalties and interest collected in connection with delinquencies.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next March 1 tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 enabled redevelopment agencies to realize increased revenue sooner to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the March 1 (January 1 beginning for fiscal year 1997-98) lien date. To the extent such supplemental assessments occur within the Project Area, Tax Increment Revenues and Housing Set-Aside Amounts may increase.

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. The amount deducted by the County from fiscal year 1994-95 Tax Increment Revenues for the Project Area was \$32,382.

Teeter Plan. The San Mateo County Board of Supervisors on October 12, 1993 adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest. Pursuant to the Teeter Plan, the County establishes a tax losses reserve fund and a tax resources account and each entity levying or entitled to receipt of property taxes in the County may draw on the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected.

The County has the power to unilaterally discontinue its practice of paying 100% of the tax levy to the Agency notwithstanding delinquencies and certain assessment appeals on a countywide basis with respect to one or more categories, including general taxes, special taxes or special assessment installments. The Teeter Plan may also be discontinued by petition of two-thirds of the participant taxing agencies.

Pass-Through Agreements

Pursuant to Section 33401(b) of the Law (now repealed), a redevelopment agency could enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for a pass-through of tax increment revenue directly to the affected taxing agency, and, therefore, are commonly referred to as "pass-through" or "fiscal" agreements. AB 1290, enacted in 1993, repealed Section 33401(b) but does not affect pass-through agreements existing as of December 31, 1993.

The Agency and the City entered into a fiscal agreement in 1983 which was amended in 1991 (the "County Fiscal Agreement") with the County of San Mateo (the "County") which provides that the County shall receive all of the tax increment revenues that it would otherwise have received but for the existence of the Redevelopment Plan. The Agency calculates its deposits to the Low and Moderate Income Housing Fund net of the amounts withheld by the County under the County Fiscal Agreement.

The Agency and the City also entered into pass-through agreements with the Belmont School District, the Sequoia Union High School District, the San Mateo County Community College District, the San Mateo County Office of Education and the San Mateo County Mosquito Abatement District which provide that the Agency pay to such taxing agencies varying amounts of tax increment revenue that such taxing agencies would otherwise receive in the absence of the Redevelopment Plan. Pursuant to the terms of these agreements, the tax increment revenues passed through to the taxing agencies under these agreements are made after and net of the transfer of 20 percent of amounts which are deposited into the Low and Moderate Income Housing Fund.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provided that revenues derived from Unitary Property, commencing with the 1988/89 fiscal year, will be allocated as follows: (1) for revenues generated from the one percent tax rate, (a) each jurisdiction, including project areas, will receive a percentage up to 102 percent of its prior year State-assessed unitary revenue; and (b) if county-wide revenues generated from Unitary Property are greater than 102 percent of the previous year's revenues, each jurisdiction will receive a percentage share of the excess unitary revenues by a specified formula and (2) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. This provision applies to all Unitary Property except railroads whose valuation will continue to be allocated to individual tax rate areas. The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the method of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

On July 14, 1993, the Superior Court for the County of Sacramento entered a judgment validating a settlement agreement among all California counties and several public utility companies affecting the collection of Unitary Property taxes. The settlement agreement provides for a method of reducing the value of Unitary Property for three years, ending in fiscal year 1994-95. In fiscal year 1995-96, the Agency received \$54,242 in Unitary Revenue. The settlement agreement is not expected to have any further impacts on unitary tax revenues to be received by the Agency in future fiscal years.

Exclusion of Tax Increment Revenues for General Obligation Bonds Debt Service

An initiative to amend the California Constitution entitled "Property Tax Revenues Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue receives additional property tax revenue (*i.e.*, a tax rate override above the basic one percent rate) whenever a local government increases its property tax rate to pay off its general obligation bonds. This initiative amends the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenue raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness. The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. The Agency receives no significant amount from tax rate overrides attributable to general obligation bond debt service.

Tax Increment Limitation

Pursuant to the provisions of the Agency's Redevelopment Plan for the Project Area, the maximum amount of tax increment the Agency may receive from the Project Area was established in the amount of \$900,000,000. Based on Agency records, the Agency has been allocated incremental tax revenues of approximately \$21,371,988 from its inception to June 30, 1995 from the Project Area.

Low and Moderate Income Housing

The Law requires that, except under certain circumstances, redevelopment agencies set aside 20% of all gross Tax Increment Revenues derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing. The Agency sets aside 20 percent of the tax increment revenues it receives with respect to the Project Area on an annual basis. The Agency does not set aside 20 percent of the portion of tax increment revenues waived by the Agency prior to receipt pursuant to the County Fiscal Agreement. See "Pass-Through Agreements" above. The pro-forma coverage information provided herein includes a deduction for the amounts withheld by the County under the County Fiscal Agreement. See "FINANCIAL INFORMATION REGARDING HOUSING SET-ASIDE AMOUNTS - Housing Set-Aside Amounts and Debt Service Coverage" and "RISK FACTORS - Low and Moderate Income Housing Fund" herein.

Appropriations Limitations: Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Effective September 30, 1980, the California Legislature added Section 33678 to the Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws

of the State of California, including Section 33678 of the Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions *Brown v. Community Redevelopment Agency of the City of Santa Ana* and *Bell Community Redevelopment Agency v. Woosley*. The plaintiff in *Brown v. Community Redevelopment Agency of the City of Santa Ana* petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding. On the basis of these court decisions, the Agency has not adopted an appropriations limit.

State Shifts of Tax Increment; Future Changes in Law

State Shifts of Tax Increment. Legislation enacted as part of the State's fiscal year 1991-92 and 1992-93 budgets required certain redevelopment agencies to make a payment into a State Educational Revenue Augmentation Fund ("ERAF") for the benefit of schools and community college districts within the State. The Agency paid approximately \$319,100, \$89,450 and \$89,450 in tax increment revenues for fiscal years 1991-92, 1992-93 and 1993-94 as a result of such legislation. The Agency has made these payments from funds on hand. The State budgets for fiscal years 1994-95 and 1995-96 did not contain any extension of the payment to ERAF but legislation could in the future be enacted to reimplement such payments or similar payments required of the Agency.

Future Changes in the Law. In addition to the other limitations on tax increment revenues described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing the Tax Increment Revenues and Housing Set-Aside Amounts payable to the Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Increment Revenues and Housing Set-Aside Amounts and adversely affect the security of the Series 1996 Bonds. See "LIMITATION ON TAX INCREMENT REVENUES AND RELATED MATTERS--Assembly Bill 1290."

Assembly Bill 1290

In September of 1993, the Redevelopment Reform Act of 1993 (AB 1290) was passed by the California Legislature and signed into law by the Governor, amending various provisions of the Law. Among other things, AB 1290 generally provides for the placement of time limits on the effectiveness of every redevelopment plan, and provides that after ten years from the termination date of a plan's effectiveness, no redevelopment agency, subject to certain exceptions, shall pay indebtedness or receive property taxes in connection therewith.

Under AB 1290, the maximum allowable duration of a redevelopment plan adopted on or before December 1, 1993 is forty years from plan adoption or January 1, 2009, whichever date is later. The Redevelopment Plan was first adopted on November 24, 1981. See "INTRODUCTORY STATEMENT - The City, the Agency and the Project" herein. AB 1290 also limits the period for debt repayment on tax allocation bonds and the receipt of tax increment pursuant to Section 33670 of the Law to ten years from the termination of a plan's effectiveness. The Agency amended the Redevelopment Plan to terminate on November 24, 2021, as required by AB 1290, on January 10, 1995.

THE AGENCY

Agency Members

The Belmont Redevelopment Agency was activated in 1981 by Ordinance of the City Council pursuant to the Community Redevelopment Law of California now codified as Part 1 of Division 24 of the State of California Health and Safety Code. The five members of the City Council serve as governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. The members of the governing body of the Agency are as follows:

| <u>Member</u> | <u>Occupation</u> | <u>Term Expires</u> |
|---------------------|---------------------------------|---------------------|
| Nancy Levitt | Information Technology Engineer | November 1997 |
| Gary Harris | Director, Business Development | November 1997 |
| Adele Della-Santina | Real Estate Marketing Executive | November 1999 |
| Coralin Feierbach | Software Developer | November 1999 |
| Pamela Rianda | Special Education Teacher | November 1997 |

Agency Administration

The City is a general law city and operates according to the Council/Manager form of government. The City Manager is appointed by the City Council to administer the City's staff and generally implement policies established by the City Council. Current City staff assigned to administer the Agency are listed below, with their City title followed by their Agency title:

Damon Edwards -- City Manager; Executive Director of the Agency
Sandra C. Salerno -- Assistant City Manager/Finance Director for the
City; Financial Officer of the Agency
Dan Vanderpriem -- Planning and Community Development Director;
Administrative Officer of the Agency

The Agency has an arrangement with the City for financial assistance and services, facilities and personnel support. As moneys become available, the Agency reimburses the City for all such services performed in amounts equal to a portion of the gross salary and employee fringe benefits for certain City employees utilized by the Agency plus other miscellaneous operating and equipment costs.

Agency Powers

All powers of the Agency are vested in its members. Pursuant to the Law, the Agency is a separate public body and exercises governmental functions, including planning and implementing redevelopment projects.

The Agency may exercise the right to issue bonds for authorized purposes and to expend their proceeds, and the right to acquire, sell, rehabilitate, develop, administer or lease property. The Agency may demolish buildings, clear land and cause to be constructed certain improvements, including streets, sidewalks, and utilities, and can further prepare for use as a building site any real property which it owns or administers.

The Agency may, from any funds made available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities or other improvements to be publicly owned and operated, provided that such improvements are of benefit to a redevelopment project and cannot be financed by any other reasonable method. The Agency may not construct or develop buildings, with the exception of public buildings and housing, and must sell or lease cleared property which it acquires within a redevelopment project for redevelopment in conformity with a particular redevelopment plan, and may further specify a period within which such redevelopment must begin and be completed.

Outstanding Indebtedness of the Agency

The Agency currently has no outstanding indebtedness secured or payable from the Housing Set-Aside Amounts prior to or on a parity with the Series 1996 Bonds. Set forth below is a summary of certain long-term debt of the Agency secured by the Tax Increment Revenues exclusive of the Housing Set-Aside Amounts.

Outstanding Bonded Indebtedness. The Agency currently has outstanding \$4,690,000 aggregate principal amount of its Los Costanos Community Development Project Area Subordinated Tax Allocation Bonds, Series 1992 A (the "1992 Bonds") and \$7,405,00 aggregate principal amount of its Los Costanos Community Development Project Area Subordinated Tax Allocation Bonds, Series 1994 A (the "1994 Bonds"). The 1992 Bonds and the 1994 Bonds are secured and payable from the Tax Increment Revenues exclusive of the Housing Set-Aside Amounts.

Loan from KG Land California Corporation. Pursuant to a Development Agreement (the "Development Agreement") between the Agency and KG Land California Corporation ("KG Corporation"), in February 1989 the Agency agreed to reimburse KG Corporation for amounts spent by KG Corporation for construction of public infrastructure in Island Park. The Agency's obligation under the Development Agreement is subject to the prior deduction of tax increment for the 20 percent low and moderate housing set-aside requirement.

Direct and Overlapping Debt Statement

Set forth below is a direct and overlapping debt statement (the "Debt Statement") prepared by California Municipal Statistics Inc. and dated February 1, 1996. The Debt Report is included for general information purposes only. The Agency makes no representations as to its completeness or accuracy.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Project Area in whole or in part. Such long-term obligations generally are not payable from revenues of the Agency (except as indicated) nor are they necessarily obligations secured by land within the Agency. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

CITY OF BELMONT - LOS COSTANOS REDEVELOPMENT PROJECT AREA
Direct and Overlapping Debt Statement

| | |
|----------------------------|--------------------|
| 1995-96 Assessed Valuation | \$420,827,405 |
| Base Year Valuation | <u>135,599,270</u> |
| Incremental Valuation | \$285,228,135 |

| | | |
|--|---------------------|---------------------|
| <u>Direct Debt:</u> | <u>% Applicable</u> | <u>Debt 3/1/96</u> |
| 1992 Subordinated Tax Allocation Bonds | 100.000% | \$ 4,690,000 |
| 1994 Subordinated Tax Allocation Bonds | 100.000 | <u>\$ 7,405,000</u> |
| Total Direct Debt | | \$12,095,000 (1) |

Ratio to Incremental Valuation: 4.24%

| | | |
|---|--------|--------------|
| <u>Overlapping Tax and Assessment Debt:</u> | | |
| Belmont School District | 3.742% | \$ 936 |
| City of Belmont | 8.606 | <u>9,467</u> |
| Total Overlapping Tax and Assessment Debt | | \$10,403 |

| | | |
|--|--------|--------------|
| <u>Overlapping Lease Obligation Debt:</u> | | |
| San Mateo County Building Authorities | 0.251% | \$585,615 |
| San Mateo County Board of Education Certificates of Participation | 0.251 | 14,834 |
| San Mateo Community College District Certificates of Participation | 0.251 | <u>8,270</u> |
| Total Overlapping Lease Obligation Debt | | \$608,719 |

COMBINED TOTAL OVERLAPPING DEBT \$619,122 (2)

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

| | |
|---|-------|
| <u>Ratios to Base Year Valuation:</u> | |
| Overlapping Tax and Assessment Debt | 0.01% |
| Combined Total Overlapping Debt | 0.46% |

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/95: \$0

Source: California Municipal Statistics, Inc.

THE PROJECT AREA

Redevelopment Plan

Under the Law every redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Law rather than a "plan" in the customary sense of the word.

On November 24, 1981, the City Council first adopted the Los Costanos Community Development Plan by Ordinance No. 692. On September 10, 1991, the City Council adopted a First Amended and Restated Los Costanos Community Redevelopment Plan by Ordinance No. 849 (as amended, the "Redevelopment Plan").

The overall objective of the Redevelopment Plan is to eliminate blighted conditions in the Project Area by undertaking all appropriate projects pursuant to the Law. The general goals of the Redevelopment Plan may be summarized as follows:

1. To provide a more diversified and stable economic base for the Project Area and community.
2. To provide safer, more efficient, and economical movement of persons and goods within the community, and to provide adequate parking facilities within the Project Area.
3. To conserve and improve existing public facilities and to provide new and/or replacement facilities as needed for the full and complete development of the Project Area and community.
4. To provide assistance to the residents of the Project Area and City in the improvement of their homes, and to provide additional housing opportunities for all economic segments of the Project Area, community and region.
5. To provide additional employment opportunities for residents of the Project Area and community.
6. To create, conserve and protect those natural areas and environmental qualities that contribute to the beauty and character of the Project Area and community.
7. To strengthen and improve the existing economic base of the City via the provision of financial assistance.
8. To accomplish these goals with a minimum displacement of any residential homeowner, renter or business.

Description of the Project Area

The Los Costanos Community Development Project ("Project Area") is located in the City of Belmont. It consists of 560 acres and extends approximately 1.5 miles northwest to southeast on both sides of the corridor formed by the El Camino Real (State Route 82) and the Caltrain railroad tracks.

Currently, there are 192 commercial parcels and 1105 residential parcels in the Project Area under various ownerships. The total assessed value of commercial property in the Project Area in fiscal year 1995-96 is approximately \$74,936,021 or 19.3 percent of total assessed value of the Project Area. Approximately 493 acres of the Project Area is in the downtown commercial section of Belmont, which centers around the intersection of El Camino Real and Ralston Avenue west of U.S. 101 (the Bayshore Freeway). The remaining 67 acres of the Project Area is predominantly developed (approximately 12 acres remain to be developed) and lies immediately to the east of U.S. 101, both north and south of the Marine World Parkway.

Approximately 40 percent of the Project Area is developed with single-family residences and accessory structures on a variety of lot sizes ranging from 5,000 to 9,600 square feet in area. Twenty percent of the Project Area is developed with multi-family residences, in the form of apartments, townhouses, condominiums and duplexes, with a range of densities from seven to 30 dwelling units per acre. Approximately 30 percent of the Project Area is developed commercially with a mix of office commercial, retail commercial and service commercial land uses. Developed commercial uses include three shopping centers along El Camino Real with a variety of tenants. The area east of U.S. 101, known as the Island Park and Shoreway areas, consists of approximately 67 acres and is zoned commercial and residential. Service commercial land uses, such as automobile repair, are predominantly located between El Camino Real and Old County Road, which streets run on either side of the Caltrain railroad tracks. Parcels along the tracks are smaller in size, ranging from 2,000 to 5,000 square feet, whereas other commercially zoned and used parcels within the Project Area include parcels as large as 40,000 square feet. The remaining 10 percent of the Project Area is zoned as and used for industrial purposes.

Development in the Project Area

The Development Plan provides for redevelopment within the Project Area consisting of the major downtown and commercial areas of the City and certain residential areas of the City. A variety of development projects have recently been completed or are currently underway within the Project Area.

Recent Private Development in the Project Area. On December 11, 1984, the City and the Agency entered into a development agreement with KG Land California Corporation with respect to a joint public sector/private sector development project called "Island Park" located within the boundaries of the Project Area (the "Island Park Project"). The Island Park Project consists of the development of a part of 15 acres with five ball fields, four overlay soccer fields and various other facilities. The Island Park Project includes plans for development of a total of 686,400 square feet of office space and construction of 135 residential dwelling units. Sixty-five residential dwelling units plus a clubhouse building have been completed and sold and 200,000 square feet of office buildings have been completed. Oral-B Laboratories has recently completed construction of its \$8.9 million world headquarters in Island Park. Additionally, a 135 unit all-suites hotel, Summerfield Suites, completed construction in 1995. The construction value of the hotel was \$7.6 million. Autobahn Motors recently began construction on a 40,000 square foot showroom and service facilities, with an estimated construction value of \$4.5 million.

Outside of Island Park, in the downtown portion of the Project Area, Safeway Stores received City discretionary approval to expand its existing store located along Sixth Avenue, Waltermire and Emmett Streets. The size of the store will increase from 26,000 square feet in area to 44,000 square feet of floor area. Safeway has approved funding for the project. Upon completion it is expected to add

approximately \$3 million to the assessed value of the Safeway parcel. Construction is anticipated to commence in mid-1996.

Other recent development in the Project Area includes a 48-unit townhome project at Masonic Way and Old County Road completed in 1992 and a 10-unit apartment building at the corner of Waltermire and Elmer Streets, also completed in 1992. In addition, construction of a 24-unit low income apartment building on Old County Road, just north of Masonic Way, was completed in 1993. In 1993, through its facade remodelling programs, the Agency provided financial assistance to private enterprise to remodel the facades of two multi-tenant commercial buildings at the intersection of Sixth Avenue and Ralston Avenue and a 10-store section of commercial buildings along El Camino Real. A 19-unit senior citizen townhome project at 1100 Ralston Avenue, with an estimated construction value of \$2 million, is under construction and is also expected to be completed by mid 1996.

Future Development. The Agency has approved funding for single-family home rehabilitation projects in the Project Area expected to result in \$250,000 in added construction value annually. The Agency also expects an additional 65 townhomes in Island Park, with an estimated construction value of \$13 million, to be completed by mid 1997.

In January 1996 the Agency designated remaining vacant land in Island Park, consisting of approximately 11 acres of office-zoned land, as a master developer site. The Agency is actively recruiting developers to expedite the buildout of this area. At least two major electronics firms are competing to be the master developer of this area. Action on choosing a master developer is expected by July 1996. Master developer buildout is expected to exceed 175,000 sq. ft., adding \$14 million to current assessed value. Three more master developer sites, totalling four acres of commercial retail land, are planned for recruitment in 1996-98.

Public Projects. The Agency has approved a five-year capital expenditure budget for public projects for the period from fiscal year 1992-93 through fiscal year 1996-97 totalling \$4,211,000. The completed projects include Agency expenditures to facilitate improvements to downtown commercial building facades, median improvements to El Camino Real, sidewalk repair and replacement and tree replacement in various residential areas, various improvements to O'Donnell Park, street "beautification" improvements to downtown commercial areas and various road safety and beautification improvements to Old County Road.

The Agency's civic center project, which is in addition to the five-year capital expenditure budget, includes construction of a new police administration facility with an estimated cost of \$2.25 million. The civic center project also includes acquisition and renovation of a commercial office building to serve as City administrative offices for a total estimated cost of \$7.2 million, approximately 70% of which will be reserved for municipal offices and the remainder of which will be leased as commercial office space. The purchase of the facility was completed in August 1995 and renovations to the facility will begin in mid-year 1996. The City expects that approximately \$3,000,000 of assessed value will be removed from the secured tax roll as the result of its acquisition of this facility. That portion of the facilities leased as office space to private businesses will remain on the rolls. The City expects to pay for approximately 50% of the cost of the City administrative offices with 1992 Bond proceeds, (see "THE AGENCY - Outstanding Indebtedness of the Agency" herein) with the remainder of the cost to be financed with sources other than bond proceeds.

The Agency used a portion of the 1994 Bond proceeds (see "THE AGENCY - Outstanding Indebtedness of the Agency" herein) towards a Caltrain grade separation project that will improve traffic circulation at the intersection of El Camino Real and Ralston Avenue. The Agency expects to contribute up to an additional \$6 million towards the grade separation project. The estimated total cost of the grade separation project is approximately \$26 million. The City has obtained a commitment for funding from the San Mateo County Transportation Authority from San Mateo County Measure A sales tax proceeds in an amount equal to fifty percent of the total cost of the grade separation project and from the State of California in an amount equal to approximately \$13 million. A contract for design of the grade separation project was awarded in July 1992 and construction on the grade separation project began in 1995. The City is also conducting a similar grade separation improvement at the Harbor Caltrain crossing. Funding for the Harbor Grade Separation project is derived from the San Mateo County Transportation Authority and the State Department of Transportation. The cost for the Harbor Grade Separation is estimated at \$7.3 million.

Potential Use of Series 1996 Bond Proceeds

The City will implement low and moderate income housing programs with the proceeds of the Series 1996 Bonds. Downpayment assistance will be provided to low to moderate income households for the purchase of homes in Belmont in the form of a 20-year deferred, low-interest loan. The City expects to provide continued funding for long-term low-interest loans for rehabilitation of both owner-occupied and rental residential structures. The City anticipates the construction of three units of income restricted single family/duplex housing at Sixth and O'Neill on property purchased by the Agency in 1994. Additionally, nine single family residential sites will be developed by the Agency during fiscal year 1997-98 which will convert public land to private, taxable property.

FINANCIAL INFORMATION REGARDING HOUSING SET-ASIDE AMOUNTS

General

The Law requires redevelopment agencies to have an independent financial audit conducted each year. The financial audit is also required to include an opinion of the Agency's compliance with laws, regulations and administrative requirements governing activities of the Agency. The firm of Coopers & Lybrand, Certified Public Accountants, San Francisco, California, audited the financial statements of the Agency for the fiscal year ending June 30, 1995, which are included in Appendix C hereto and should be read in their entirety. The financial statements were prepared in accordance with generally accepted auditing standards, as modified by the Governmental Accounting Standards Board. Coopers & Lybrand has not reviewed any portion of this Official Statement other than the financial statements attached hereto and has not been requested to, nor has it provided, consent to reproduction of such financial statements.

Assessed Valuations

The base year valuation for the Project Area was established in the fiscal year ending June 30, 1982. The following table shows historical incremental assessed valuation (including all categories of assessed value) within the Project Area (*i.e.*, assessed value in excess of "base" year assessed value of \$135,599,270) as of the March 1 lien date for the fiscal years 1982-83 through 1995-96. It should be noted that due to adjustments after the lien date assessed values may increase or decrease during the year. Factors causing these adjustments include but are not limited to supplemental assessments and appeals to

assessed value. These adjustments to assessed values, in turn, cause tax increment revenues to increase or decrease. See "Historical Set-Aside Amounts" below.

**Los Costanos Community Development Project Area
Historical Incremental Assessed Valuation**

| <u>Fiscal Year Ending June 30</u> | <u>Incremental Assessed Valuation ⁽¹⁾</u> | <u>Change From Previous Year</u> |
|---------------------------------------|--|--------------------------------------|
| 1983 | \$ 21,536,072 | -- |
| 1984 | 35,638,711 | 65.48% |
| 1985 | 48,461,611 | 35.98 |
| 1986 | 65,554,244 | 35.27 |
| 1987 | 99,242,794 | 51.39 |
| 1988 | 111,223,742 | 12.07 |
| 1989 | 119,211,463 | 7.18 |
| 1990 | 139,555,262 | 17.07 |
| 1991 | 177,665,269 | 27.31 |
| 1992 | 214,202,043 | 20.56 |
| 1993 | 240,595,239 | 12.32 |
| 1994 | 254,301,674 | 5.70 |
| 1995 | 262,248,027 | 3.12 |
| 1996 | 285,228,135 ⁽²⁾ | 8.76 |

(1) Equals amount in excess of the Agency's 1981-82 "base" year assessed valuation of \$135,599,270.

(2) Value shown is expected to be reduced in the future by approximately \$3,000,000 as the result of the City's purchase of a commercial office building in the Project Area. Value shown could further be reduced by ongoing appeals. See "Reduction in Assessed Value -- Appeals to Assessed Value and County-Wide Reductions of Assessed Values" herein.

Source: County of San Mateo Auditor-Controller's Office.

Historical Housing Set-Aside Amounts

The following table shows the historical allocation of tax increment revenues by the County of San Mateo derived from the Project Area. Annual tax increment revenue growth has ranged from a high of 63.50 percent in fiscal year 1982-83 to a low of -1.87 percent in fiscal year 1994-95. The Agency attributes the historically strong annual growth in tax revenues to development activity within the Project Area and to property reassessments triggered by the change of ownership provisions of Article XIII A of the California Constitution (see "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS -- Property Tax Limitations: Article XIII A of the California Constitution" herein). The Agency attributes the recent slow down in the growth of increment revenues to the State-wide decline in real estate values and the State-wide recession (recent economic data indicates the recession ended in 1993). **The City has not undertaken a study to estimate future growth in assessed valuation and no assurance can be given that historical growth rates will be repeated in future years.**

**Los Costanos Community Development Project Area
Historical Receipt of Tax Increment Revenues⁽¹⁾**

| <u>Fiscal Year Ending June 30</u> | <u>Secured Tax Increment⁽²⁾</u> | <u>Unsecured Tax Increment⁽²⁾</u> | <u>Unitary Revenue⁽³⁾</u> | <u>Supplemental Allocations⁽²⁾</u> | <u>Total Tax Increment⁽²⁾</u> | <u>Housing Set-Aside Amounts⁽⁴⁾</u> | <u>Change From Prior Year</u> |
|---|--|--|--|---|--|--|---------------------------------------|
| 1983 | \$ -- | \$ -- | \$ -- | \$ -- | \$218,036 | \$43,607 | -- |
| 1984 | -- | -- | -- | -- | 285,494 | 57,099 | 30.94% |
| 1985 | -- | -- | -- | -- | 363,836 | 72,989 | 27.83 |
| 1986 | 429,246 | 84,594 | -- | 16,681 | 530,521 | 103,097 | 41.25 |
| 1987 | 725,932 | 82,321 | -- | 58,699 | 866,952 | 168,560 | 13.88 |
| 1988 | 787,579 | 69,137 | -- | 103,030 | 959,746 | 191,949 | 10.70 |
| 1989 | 924,058 | 73,737 | -- | 87,124 | 1,084,919 | 216,983 | 13.04 |
| 1990 | 1,035,629 | 85,045 | 25,534 | 57,535 | 1,203,743 | 240,749 | 10.95 |
| 1991 | 1,260,743 | 122,929 | 54,683 | 120,184 | 1,558,539 | 311,708 | 29.47 |
| 1992 | 1,629,619 | 81,020 | 57,216 | 145,226 | 1,913,081 | 382,616 | 22.75 |
| 1993 | 1,758,187 | 93,810 | 58,779 | 59,494 | 1,970,270 | 394,055 | 2.99 |
| 1994 | 1,890,260 | 72,133 | 51,221 | 49,533 | 2,063,147 | 412,629 | 4.71 |
| 1995 | 1,933,676 | 17,827 | 54,213 | 18,928 | 2,024,644 | 404,929 | (1.87) |

- (1) Amounts shown are net of amounts waived by the Agency under County Fiscal Agreement and a County administrative charge. The amount waived under the County Fiscal Agreement is approximately 22% of tax revenues allocable to assessed values in excess of the base year value and in fiscal year 1994-95 was \$580,715. The County administrative charge was \$32,382 in fiscal year 1994-95. See "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS--Property Tax Collection Procedures" and "- Pass-Through Agreements" herein.
- (2) Breakdown of tax increment among secured, unsecured and supplemental categories not available for fiscal years ended June 30, 1983 through 1985.
- (3) Unitary revenue reported separately starting in the fiscal year ended June 30, 1990.
- (4) Housing Set-Aside Amounts are calculated after deducting amounts waived by the Agency under the County Fiscal Agreement. See "LIMITATIONS ON TAX INCREMENT REVENUES AND RELATED MATTERS--Pass-Through Agreements" herein.

Source: Belmont Redevelopment Agency and City of Belmont Audited Financial Statements.

Debt Service Coverage

Housing Set-Aside Amounts in fiscal year 1994-95 were \$404,929. See the table above entitled "Historical Receipt of Tax Increment Revenues". Coverage of such amounts over maximum annual debt service of \$323,388 on the Series 1996 Bonds is 1.25x.

Major Property Taxpayers

The ten largest assessees in the Project Area for fiscal year 1995-96 and the assessed valuation of their respective properties in the Project Area as reported by the County are provided in the following schedule. The total taxable valuation of these properties equals \$84,459,480, which represents approximately 21.19 percent of the Project Area's secured taxable valuation (including Unitary assessed valuation).

BELMONT REDEVELOPMENT AGENCY
Los Costanos Community Development Project Area
Ten Largest Secured Property Assesseees

| <u>Assessee</u> | <u>Use</u> | <u>1995-96 Taxable Value</u> | <u>Percentage of Total Secured Taxable Value of Project Area ⁽¹⁾</u> |
|--------------------------------|-----------------|----------------------------------|---|
| 1. Nikon Precision Inc. | Office | \$25,559,248 | 6.41% |
| 2. Gillette Canada Inc. | Office | 12,962,890 | 3.25 |
| 3. Whittier Real Estate, LP | Office | 11,500,000 ⁽²⁾ | 2.89 |
| 4. Belmar Lessee | Motel | 7,448,126 | 1.87 |
| 5. Furuki Investment, Inc. | Office | 6,456,396 | 1.62 |
| 6. Sanford & Betty Jo Weinberg | Apartments | 5,750,000 | 1.44 |
| 7. McLellan Estate Co. | Apartments | 4,382,431 | 1.10 |
| 8. Berk & Mary Chung | Shopping Center | 3,713,506 | 0.93 |
| 9. Arndt Electronics | Manufacturing | 3,686,883 | 0.92 |
| 10. Merrill & Susan Bronstein | Apartments | 3,000,000 | 0.75 |
| Total | | \$84,459,480 | 21.19% |

- (1) The secured taxable value of the Project Area for fiscal year 1995-96 is \$398,582,795 (including unitary assessed values).
(2) This assessee has an ongoing appeal to its assessed value. Value shown is that requested by owner in its appeal.

Source: Metrosan as to list of top ten assesseees; County of San Mateo Auditor's Office and County of San Mateo Assessment Appeals Board as to appeals to assessed values.

Audit of County Property Tax Procedures

On January 6, 1995, Municipal Resource Consultants completed an audit of property tax procedures in connection with City and Project Area properties. The audit report found that the County Assessor's Office was generally following the correct procedures under the appropriate State Board of Equalization regulations and applicable law for determination of assessed values within the Project Area, except for certain discrepancies where the County was excluding properties from the Project Area. These discrepancies were pointed out to the County and are expected to result in approximately \$33,000 in additional annual tax increment revenues in future years. The Agency expects to receive a one time payment of approximately \$117,000 in fiscal year 1995-96 to compensate for prior year underpayments by the County. Municipal Resource Consultants has not prepared or examined any of the information presented in this Official Statement.

LITIGATION

There is no litigation pending and served or, to the Agency's knowledge, threatened in any way to restrain or enjoin the issuance, sale, execution or delivery of the Series 1996 Bonds, to contest the validity of the Series 1996 Bonds or the Indenture, or any proceedings of the Agency with respect thereto. In the opinion of the Agency and its counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances so as to impair its ability to pay principal of and interest on the Series 1996 Bonds when due.

RATINGS

Moody's Investors Service and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., have assigned municipal bond ratings of "AAA" and "Aaa", respectively, to the Series 1996 Bonds based on the issuance of the Policy. See "BOND INSURANCE" herein. Such ratings were based in part upon information provided by the Agency. The ratings reflect only the view of such organizations and an explanation of the significance of such ratings may be obtained from Standard & Poor's Corporation, 25 Broadway, New York, New York 10004, (212) 208-8000 and Moody's Investors Service, 99 Church Street, New York, New York 10007, (212) 553-0470. There is no assurance that ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such rating agencies, if, in the judgment of either such rating agency, circumstances so warrant. The Agency and the Trustee undertake no responsibility either to bring to the attention of the Owners the downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 1996 Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 1996 Bonds is exempt from State of California personal income taxes. **NO ATTEMPT HAS BEEN MADE OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES OF INTEREST ON THE SERIES 1996 BONDS, AND SUCH INTEREST WILL BE SUBJECT TO ALL APPLICABLE FEDERAL TAXATION.** A complete copy of the form of opinion of Bond Counsel is set forth in Appendix E.

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 Series 1996 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 1996 Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe.

Although Bond Counsel has rendered an opinion that interest on the Series 1996 Bonds is exempt from California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 1996 Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe, Bond Counsel. A complete copy of the proposed form of the legal

opinion of Bond Counsel is attached hereto as Appendix E. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Certain legal matters will be passed upon for the Underwriter by Brown & Wood, San Francisco, California, and for the Agency by its counsel, Goldfarb & Lipman, San Francisco, California. Payment of the fees of each such counsel is contingent upon sale and delivery of the Series 1996 Bonds.

CONTINUING DISCLOSURE

The Agency will covenant for the benefit of holders and beneficial owners of the Series 1996 Bonds to provide certain financial information and operating data relating to the Agency by not later than 210 days following the end of the Agency's fiscal year (presently June 30) (the "Annual Report") commencing with the report for the 1995-96 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Trustee on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository and with any then existing State Repository (collectively, the "Repositories"). Currently, there is no State Repository. The notices of material events will be filed with the Repositories. The specific nature of the information to be contained in the Annual Report and the notices of material events is described in "APPENDIX F - FORM OF THE CONTINUING DISCLOSURE AGREEMENT" attached hereto. These covenants will be made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities and Exchange Act of 1934, as amended.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Series 1996 Bonds from the Belmont Joint Powers Financing Authority (the "Authority"), a joint exercise of powers authority organized under California law, comprised of the Agency and the City, at a purchase price of \$3,160,142.46 (representing par less original issue discount and underwriter's discount), plus accrued interest. The Agency has agreed to simultaneously sell the Series 1996 Bonds to the Authority at the same purchase price. The sole function of the Authority with respect to the Series 1996 Bonds is to facilitate a negotiated sale of the Series 1996 Bonds to the Underwriter in accordance with applicable law. The Underwriter will be obligated to purchase all such Series 1996 Bonds if any such Series 1996 Bonds are purchased. The public offering prices of such Series 1996 Bonds may be changed from time to time by the Underwriter.

MISCELLANEOUS

All references herein to the Series 1996 Bonds and the Indenture are brief outlines of certain provisions thereof. Such outlines do not purport to be complete statements of any or all of such provisions and reference is hereby made to such documents on file with the Agency for further information in connection therewith.

This Official Statement is not to be construed as a contract with the purchasers of the Series 1996 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

BELMONT REDEVELOPMENT AGENCY



By: /s/ Damon B. Edwards
Executive Director

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BELMONT REDEVELOPMENT AGENCY

By: /s/ Damon B. Edwards
Executive Director

APPENDIX A

SUMMARY OF PRINCIPAL PROVISIONS OF THE INDENTURE OF TRUST

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SUMMARY OF PRINCIPAL PROVISIONS OF THE INDENTURE OF TRUST

The following is a brief summary of certain provisions of the Indenture of Trust dated as of March 1, 1996. This summary does not purport to be complete and is qualified in its entirety by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings as set forth in the Indenture.

Definitions

The term "Additional Bonds" means all tax allocation bonds of the Agency authorized and executed pursuant to the Indenture and issued and delivered in accordance therewith, including Special Bonds.

The term "Agency" means the Belmont Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

The term "Annual Debt Service" means, for each Bond Year, the sum of (1) the interest falling due on the Outstanding Bonds in such year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds, if any, are redeemed from the sinking account as may be scheduled, (2) the principal amount of the Outstanding Serial Bonds, if any, falling due by their terms in such year, and (3) the minimum amount of Mandatory Sinking Account Payments for Outstanding Term Bonds required to be paid or called and redeemed in such year, together with the redemption premiums, if any, thereon. The term "Maximum Annual Debt Service" means, as of any date of calculation, the Annual Debt Service as computed for the Bond Year in which such Annual Debt Service shall be largest, excluding from such calculation any Annual Debt Service relating to a principal amount of Special Bonds equal to the amount then on deposit in the Temporary Redemption Fund.

The term "Bond Year" means the period of twelve consecutive months ending on July 31 in any year in which Bonds are Outstanding, provided that the first Bond Year shall commence on the date of issuance of the Series 1996 Bonds.

The term "Bonds" means the Series 1996 Bonds issued under the Indenture and all Additional Bonds. The term "Series 1996 Bonds" means the Agency's Los Costanos Community Development Project Area Housing Set-Aside Tax Allocation Bonds (Taxable), Series 1996 issued pursuant to the Indenture.

The term "Business Day" means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in the State of California or the Federal Reserve system are required or authorized to remain closed.

The term "Certificate of the Agency" means an instrument in writing signed by the Chairperson of the Agency, the City Manager of the City, acting as Administrator of the Agency, or by any other officer of the Agency duly authorized by the Agency for that purpose.

The term "City" means the City of Belmont, California, duly organized and existing under the laws of the State of California.

The term "Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

- (1) a statement that the person or firm making or giving such report has read the pertinent provisions of this Indenture to which such report relates;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;
- (3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

The term "Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the Agency and the Trustee dated the date of issuance and delivery of the Series 1996 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

The term "Fiscal Agreements" means the Fiscal Agreement Regarding Los Costanos Community Development Project by and among the Belmont Redevelopment Agency, Belmont School District, Sequoia Union High School District, San Mateo County Community College District and San Mateo County Office of Education, dated April 1, 1991; Agreement Between the City of Belmont, the Belmont Redevelopment Agency, and the County of San Mateo Pursuant to Community Redevelopment Law and Health and Safety Code Section 33000 *et seq.*, dated September 6, 1983 and amended October 8, 1991; and the Fiscal Agreement Regarding Los Costanos Community Development Project by and between the Belmont Redevelopment Agency and the San Mateo County Mosquito Abatement District, dated March 26, 1991, all as amended in accordance with their terms and the Indenture.

The term "Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period selected and designated by the Agency as its Fiscal Year in accordance with the Law and identified to the Trustee by the Agency in writing.

The term "Government Obligations" means (i) United States Treasury notes, bonds, bills, or certificates of indebtedness (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and United States Treasury Obligations -- State and Local Government Series (SLGS)) or obligations of the following agencies which are backed by the full faith and credit of the United States of America: U.S. Export - Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership), Farmers Home Administration (certificates of beneficial ownership), Federal Financing Bank; General Services Administration (participation certificates), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing & Urban Development (project notes, local authority bonds, new communities debentures-U.S. government guaranteed debentures, U.S. Public Housing notes and bonds-U.S. government guaranteed public housing notes and bonds); (ii) the interest portion of obligations issued by the Resolution Funding Corp. which have been stripped by request to the Federal Reserve Bank of New York in book entry form; and (iii) pre-refunded municipal bonds rated "AAA" by Standard & Poor's and "Aaa" by Moody's.

The term "Holder" means the registered owner of any Outstanding Bond.

The term "Housing Project" means those projects approved and assisted by the Agency, which increase, improve and/or preserve the supply of low and moderate income housing within the Project Area and such other uses as may lawfully be expended in accordance with the Law.

The term "Housing Set-Aside Amounts" means the portion of Tax Increment Revenues required to be set-aside and deposited in the Low and Moderate Income Housing Fund pursuant to Section 33334.2, 33334.6 or 33487 of the Law or such greater amount of Tax Increment Revenues as provided by the Indenture, but in any event not to exceed 20% of the Tax Increment Revenues.

The term "Housing Special Fund" means that fund, together with accounts created therein, established pursuant to the Indenture.

The term "Indenture" means the Indenture of Trust, dated as of March 1, 1996, between the Agency and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions thereof.

The term "Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency, and who, or each of whom:

- (1) is in fact independent and not under the domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

The term "Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency who has engaged in the municipal financial consulting business in each of the three (3) calendar years immediately preceding the date of such appointment and who, or each of whom:

- (1) is in fact independent and not under the domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

The term "Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency who has engaged in such consulting business in each of the three (3) calendar years immediately preceding the date of such appointment, and who, or each of whom:

- (1) is in fact independent and not under the domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

The term "Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 17302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's Corporation's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or such services as the Agency may designate in a Certificate of the Agency delivered to the Trustee.

The term "Law" means the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California, as amended), and all laws amendatory thereof or supplemental thereto.

The term "Low and Moderate Income Housing Fund" means the Low and Moderate Income Housing Fund established with respect to the Project Area all in accordance with Section 33334.2, 33334.6 or 33487 of the Law.

The term "Mandatory Sinking Account Payment" means, with respect to Bonds of any series and maturity, the amount required by the Indenture or any Supplemental Indenture to be paid by the Agency on any single date for the retirement of Term Bonds of such series and maturity.

"Moody's" means Moody's Investors Services, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

The term "1996 Insurer" means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York.

The term "1996 Policy" means the financial guaranty insurance policy issued by the 1996 Insurer insuring payment on the Series 1996 Bonds.

The term "Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except --

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
 - (2) Bonds paid or deemed to have been paid within the meaning of the Indenture;
- and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture.

The term "Permitted Investments" means any of the following which at the time are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies (including stripped securities only if they have been stripped by the agency itself) and provided such obligations are backed by the full faith and credit of the United States of America:

- Export - Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership)
- Farmers Home Administration (certificates of beneficial ownership)
- Federal Financing Bank
- Federal Housing Administration debentures
- General Services Administration (participation certificates)
- Government National Mortgage Association (guaranteed mortgage-backed bonds or guaranteed pass-through obligations)
- U.S. Maritime Administration
- U.S. Department of Housing & Urban Development (project notes, local authority bonds, new communities debentures-U.S. government guaranteed debentures, U.S. Public Housing notes and bonds-U.S. government guaranteed public housing notes and bonds)

(3) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following U.S. government agencies, the obligations of which are not backed by the full faith and credit of the United States of America (provided that stripped securities are only permitted if they have been stripped by the agency itself):

- Federal Home Loan Bank System (senior debt obligations)
- Federal Home Loan Mortgage Corporation ("FHLHC") (participation certificates and senior debt obligations)
- Federal National Mortgage Association ("FNMA") (mortgage-backed securities and senior debt obligations)
- Student Loan Marketing Association (senior debt obligations)
- Resolution Funding Corporation
- Farm Credit System (consolidated systemwide bonds and notes)

(4) Certificates of deposit issued by commercial banks, savings and loan associations or mutual savings banks and secured at all times by collateral described in (1) or

(2) above in which the Trustee has a perfected security interest and which collateral is held by the Trustee or a third party, as agent for the Trustee;

(5) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(6) Investment agreements, including guaranteed investment contracts acceptable to the 1996 Insurer;

(7) Commercial paper which is rated at the time of purchase "A-1" or better by Standard & Poor's and "P-1" by Moody's;

(8) Bonds or notes issued by any state or municipality which are rated by Standard & Poor's and Moody's in one of the two highest rating categories assigned by such agencies;

(9) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or better or "A" or better by Standard & Poor's and "P-1" or "A3" or better by Moody's;

(10) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States (including the Trustee or any of its affiliates) or any national banking association rated "A" or better by Standard & Poor's and Moody's, or any government bond dealer on the Federal Reserve reporting dealer list rated "A" or better by Standard & Poor's and Moody's, which agreement has a term of not more than 30 days and is secured at all times by collateral security described in clauses (1) or (2) of this definition or issued by FNMA or FHLMC and in which the Trustee has a perfected security interest, and which collateral (a) is held by the Trustee or a third party agent for the Trustee, (b) has a market value determined weekly and marked-to-market at the current market price plus accrued interest equal to 104% (105% if collateral securities are issued by FNMA or FHLMC) of the amount of cash transferred by the Agency to the dealer bank or securities firm plus accrued interest; provided that if such value falls below 104% of the value of cash transferred by the Agency, then additional cash and/or acceptable securities must be transferred. Such repurchase agreements must provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Agency (buyer/lender), and the transfer of cash from the Agency to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for securities at a specified date and must be accompanied by an opinion to the effect that such repurchase agreement are legal investment of public funds under the laws of the State of California;

(11) Funds invested in the Local Agency Investment Fund (as that term is defined in Section 16429.1 of the California Government Code, as such section may be amended or recodified from time to time to the extent deposits and withdrawals may be made directly by the Trustee); and

(12) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAA-m," or "AA-m" and if rated by Moody's rated "Aaa," "Aa1" or "Aa2."

The term "Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

The term "Project Area" means the project area described in the Redevelopment Plan.

The term "Redevelopment Plan" means the redevelopment plan for the Los Costanos Community Development Project of the Agency in Belmont, California, adopted and approved as the Redevelopment Plan for the Project by Ordinance No. 692, adopted by the City Council of the City of Belmont, California on November 24, 1981, and amended and restated by Ordinance No. 849 adopted on September 10, 1991, together with all further amendments thereto hereafter made in accordance with the Law and the Indenture.

The term "Regulatory Agreement" shall mean the Regulatory Agreement designated by the Agency evidencing compliance with provisions of the Law with respect to low and moderate income housing, including Sections 33334.2 to 33334.19, inclusive.

The term "Representation Letter" means the letter of the Agency delivered to and accepted by the depository for any series of Bonds setting forth the provisions relating to Bonds in book-entry form as provided in Section 2.13.

The term "Reserve Account Requirement" with respect to the Series 1996 Bonds means, as of any date of calculation, an amount equal to the Maximum Annual Debt Service, and with respect to any series of Additional Bonds, the amount specified in the Supplemental Indenture setting forth the terms of such Additional Bonds.

The term "Securities Depositories" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex-(215) 496-5058; or such other addresses and/or such other securities depositories as the Agency may designate in writing to the Trustee.

The term "Serial Bonds" means Bonds for which no mandatory sinking account payments are provided.

The term "Sinking Accounts" means the subaccounts in the Principal Account so designated and established pursuant to the Indenture.

The term "Special Bonds" means Bonds the proceeds of which are deposited into the Temporary Redemption Fund.

"Standard & Poor's" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

The term "Supplemental Indenture" means any indenture then in full force and effect which has been duly executed and delivered by the Agency and the Trustee, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

The term "Tax Increment Revenues" means all taxes allocated and paid to the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, and as provided in the Redevelopment Plan, including all payments and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations.

The term "Temporary Redemption Fund" means the fund by that name established pursuant to any Supplemental Indenture in accordance with the Indenture.

The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from mandatory sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

The term "Trustee" means First Trust of California, National Association, or any other financial institution which may at any time be substituted in its place as provided in the Indenture.

The term "Written Request of the Agency" means an instrument in writing signed by the Chairperson of the Agency, the City Manager of the City, acting as Executive Director of the Agency, the Financial Officer of the Agency, or by any other officer of the Agency duly authorized by the Agency for that purpose.

Pledge of Housing Set-Aside Amounts; Housing Special Fund

All the Housing Set-Aside Amounts and all money in the Housing Special Fund and in the funds or accounts so specified and provided for in the Indenture are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Housing Set-Aside Amounts and such other money, so long as any of the Bonds remain Outstanding, shall be used only for the purposes set forth in the Indenture. Subject to the provisions of the Indenture regarding applications of funds upon acceleration, this pledge shall constitute a first lien on the Housing Set-Aside Amounts and such other money for the payment of the Bonds in accordance with the terms thereof. All the Housing Set-Aside Amounts, together with any interest earned thereon, shall, so long as any Bonds shall be Outstanding under the Indenture, be deposited when and as received by the Agency in the "Belmont Redevelopment Agency Housing Project Special Fund" (hereinafter called the "Housing Special Fund"), which fund was created by the Agency and which fund the Agency covenants and agrees to maintain.

Receipt and Deposit of Housing Set-Aside Amounts

The Agency covenants and agrees that all Housing Set-Aside Amounts, when and as received, will be received by the Agency in trust under the Indenture and deposited in the Housing Special Fund and will be accounted for through and held in trust in the Housing Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Housing Set-Aside Amounts, whether received by the Agency in trust or deposited with the Trustee, all as provided in the Indenture, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency. The Agency covenants and agrees to establish and maintain within the Housing Special Fund an account designated as the "Debt Service Account." On or before July 20 of each year, commencing July 20, 1996, the Agency shall transfer from the Housing Special Fund to the Debt Service Account an amount of money which, together with any money contained in the Debt Service Account, is equal to

the aggregate amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date, one-half of the aggregate amount of the principal becoming due and payable on all Outstanding Bonds on the next succeeding principal payment date and the amount, if any, necessary to maintain the Reserve Account in the full amount of the Reserve Account Requirement. On or before January 20 of each year, commencing January 20, 1997, the Agency shall transfer from the Housing Special Fund to the Debt Service Account an amount of money which, together with any money contained in the Debt Service Account, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date and one-half of the aggregate amount of the principal becoming due and payable on all Outstanding Bonds on the next succeeding principal payment date. After the foregoing transfers are made to the Debt Service Account, all moneys in the Housing Special Fund (except for amounts in the Debt Service Account) shall be available to the Agency for any lawful purpose.

Establishment and Maintenance of Accounts for Use of Money in the Bond Fund

On or before January 20 and July 20 of each year, commencing July 20, 1996, the Agency shall transfer all moneys in the Debt Service Account within the Housing Special Fund to the Trustee for deposit in the Bond Fund held by the Trustee. All moneys in the Bond Fund shall be set aside by the Trustee in the following respective special accounts within the Bond Fund (each of which is created by the Indenture and each of which the Agency covenants and agrees to cause to be maintained), in the following order of priority:

- (a) Interest Account;
- (b) Principal Account; and
- (c) Reserve Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

(1) **Interest Account.** On or before January 20 and July 20 of each year, commencing on July 20, 1996, the Trustee shall set aside from the Bond Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(2) **Principal Account.** On or before July 20 of each year, commencing on July 20, 1997, the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds on the next succeeding principal payment date. In the event that there shall be insufficient money in the Bond Fund to make in full all such principal payments required to be made pursuant to the Indenture at any one time, then the available money shall be applied pro rata to the making of such principal payments in the proportion which all such principal payments bear to each other.

No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Bonds.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

(3) Reserve Account. On or before July 20 of each year, commencing on July 20 1997, the Trustee shall set aside from the Bond Fund and deposit in the Reserve Account an amount of money that shall be required to maintain the Reserve Account in the full amount of the Reserve Account Requirement. No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required by this paragraph to be on deposit therein. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Bonds then Outstanding, except that for so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Account Requirement shall, unless otherwise directed in a Written Request of the Agency, be withdrawn from the Reserve Account by the Trustee and transferred to the Bond Fund.

Notwithstanding any provision of the Indenture to the contrary, upon the written consent of the 1996 Insurer, all or any portion of the Reserve Account Requirement for the Series 1996 Bonds may be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with moneys on deposit in the Reserve Account, provide an aggregate amount equal to the Reserve Account Requirement; provided, that the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility must be rated in one of the two highest rating categories by Moody's or Standard & Poor's at the time of delivery of such credit facility.

(4) On or after August 2 of each year, commencing August 2, 1997, after transfer of moneys to the Reserve Account necessary to replenish the Reserve Account to the Reserve Account Requirement, all moneys in the Bond Fund and the accounts therein (except for moneys in the Reserve Account) shall be transferred to the Agency to be used by the Agency for any lawful purposes.

Establishment of Funds; Redemption Fund; Project Fund; Temporary Redemption Fund

In addition to the Housing Special Fund, there are further created a special trust fund to be held by the Trustee called the "Belmont Redevelopment Agency Housing Set-Aside Temporary Redemption Fund" (the "Temporary Redemption Fund"), a special trust fund to be held by the Trustee called the "Belmont Redevelopment Agency Housing Set-Aside Redemption Fund" (the "Redemption Fund") and a special trust fund to be held by the Agency called the "Belmont Redevelopment Agency Housing Set-Aside Project Fund" (the "Project Fund").

So long as any of the Bonds authorized in the Indenture, or any interest thereon, remain unpaid, the moneys in the foregoing funds shall be used for no purpose other than those required or permitted by the Indenture.

The Agency may at any time deposit moneys into the Redemption Fund for the purposes of redeeming Bonds in accordance with the terms of the Indenture. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice can be timely given and at the redemption prices then applicable to redemptions from the Redemption Fund; provided that, at any time prior to selection of Bonds for redemption, the Trustee upon Written Request of the Agency shall apply such amounts to the purchase of Bonds by the Agency at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed by the Agency, except that the Agency shall not direct such purchase if the purchase price (exclusive of accrued interest) exceeds the par value of such Bonds.

Project Fund

The Agency covenants that moneys in the Project Fund shall be used and disbursed in the manner provided by law for the purpose of aiding in financing the Housing Project (or for making reimbursements to the Agency for such costs theretofore paid by it), including payment of all costs incidental to or connected with such financing.

Temporary Redemption Fund

The proceeds of Special Bonds, if any, shall be deposited into the Temporary Redemption Fund as specified in a Supplemental Indenture, if any, providing for such deposit. Moneys in the Temporary Redemption Fund shall be held by the Trustee for transfer to and deposit in the Project Fund and the Reserve Account as specified in a Supplemental Indenture to the extent that, after such transfers (a) one hundred fifty percent (150%) of the Maximum Annual Debt Service, if the assessed valuation of the property of the ten largest taxpayers in the Project Area is at least twenty percent (20%) of the Incremental Valuation, or (b) one hundred twenty-five percent (125%) of the Maximum Annual Debt Service, if the assessed valuation of the property of the ten largest taxpayers in the Project Area is at less than twenty percent (20%) of the Incremental Valuation, will be covered by Housing Set-Aside Amounts (for which purpose such Housing Set-Aside Amounts shall be deemed not to include any and all payments, reimbursements and subventions specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) allocated to and to be allocated to the Agency for the then current Fiscal Year. For purposes of this paragraph, in calculating Maximum Annual Debt Service, the principal amount of Special Bonds equal to the amount which remains on deposit in the Temporary Redemption Fund shall not be taken into account. A portion of each amount of moneys transferred from the Temporary Redemption Fund pursuant to the terms of this Section shall be deposited in the Reserve Account as required to maintain the Reserve Account in the full amount of the Reserve Account Requirement. The remaining portion of each such transfer pursuant to the terms of this Section shall be paid by the Trustee to the Agency for deposit to the Project Fund. The amount to be initially deposited in the Temporary Redemption Fund and the amount to be transferred on each transfer date thereafter, to the Project Fund and to the Reserve Account shall be evidenced by a Certificate of the Agency based on a Consultant's Report, filed with the Trustee not later than the date or dates specified in a Supplemental Indenture. Such Consultant's Report shall verify the amounts of such Housing Set-Aside Amounts which shall be allocated to the Agency for the then current Fiscal Year, based upon the then current preliminary tax roll certified by the Assessor of San Mateo County and any current supplemental tax rolls for the then current Fiscal Year certified by the Assessor of San Mateo County and for which all appeal periods have expired.

No proceeds of the Series 1996 Bonds will be deposited in the Temporary Redemption Fund.

Deposit and Investment of Moneys in Funds and Accounts

All money held by the Trustee in any of the accounts or funds established pursuant to the Indenture shall be invested in Permitted Investments at the Written Request of the Agency; provided, however, that so long as the 1996 Policy is in full force and effect, Permitted Investments held for the account of the Reserve Account shall not have maturities longer than five years. The Trustee may commingle the funds and accounts established under the Indenture for investment purposes, but shall nevertheless account for each separately. In the absence of written investment instructions from the Agency, the Trustee shall invest solely in Permitted Investments of the type set forth in clause (5) of the definition thereof. Subject to the Indenture and the terms of any Supplemental Indenture, all interest or profits received on any money held in any fund or account by the Trustee shall be transferred to the Agency for deposit in the Housing Special Fund. The Trustee may act as principal or agent in the acquisition or disposition of investments under the Indenture. The Trustee shall not be liable for any loss from any investments made or sold in accordance with the provisions of the Indenture.

Issuance of Additional Bonds

The Agency may at any time issue Additional Bonds payable from the Housing Set-Aside Amounts and secured by a lien and charge upon the Housing Set-Aside Amounts equal to the lien and charge securing the Outstanding Bonds theretofore issued under the Indenture, but only subject to specific conditions contained in the Indenture, including the following:

(a) The Agency shall be in compliance with all covenants contained in the Indenture and in all Supplemental Indentures, and a Certificate of the Agency to that effect shall have been filed with the Trustee.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and the issuance of such Additional Bonds shall have been provided for by a Supplemental Indenture duly executed and delivered by the Agency which shall specify the following: (1) the purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the financing of certain housing activities pursuant to the Law, including Sections 33334.2 to 33334.19, inclusive and/or (ii) the purpose of refunding any Bonds, including payment of all costs incidental to or connected with such refunding; (2) the authorized principal amount of such Additional Bonds; (3) the date and the maturity date or dates of such Additional Bonds; provided that (i) each maturity date shall fall upon the same date as is the maturity date for Series 1996 Bonds, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination, and (iii) fixed serial maturities or mandatory sinking account payments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates; (4) the interest payment dates for such Additional Bonds shall be on the same semiannual dates as the interest payment dates for Series 1996 Bonds, except that the first installment of interest may be payable on either interest payment date; (5) the denomination and method of numbering of such Additional Bonds; (6) the redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds; (7) the amount and due date of each mandatory sinking fund account payment, if any, for such Additional Bonds; (8) the amount, if any, to be deposited

from the proceeds of such Additional Bonds in the Interest Account; (9) the amount, if any, to be deposited from the proceeds of such Additional Bonds in any reserve account; provided that such reserve account shall be increased at or prior to the time such Additional Bonds become Outstanding to an amount at least equal to the Reserve Account Requirement on all then Outstanding Bonds and such Additional Bonds, and that an amount at least equal to the Reserve Account Requirement on all Outstanding Bonds shall be maintained thereafter in such reserve account; (10) the form of such Additional Bonds which may in the form attached to the Indenture as Exhibit B; and (11) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The Housing Set-Aside Amounts (which for this purpose shall be deemed not to include any and all payments, reimbursements and subventions specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations or any taxes received as a result of an ad valorem tax rate in excess of 1% unless such tax rate is reasonably expected, as set forth in a Certificate of the Agency filed with the Trustee to be levied throughout the term of the Additional Bonds and all then Outstanding Bonds) based upon the assessed valuation of taxable property in the Project Area as shown on the equalized assessment roll (or, if available, the then current preliminary assessment roll provided by the Assessor of the County of San Mateo) next preceding the date of the Agency's delivery of the Supplemental Indenture providing for the issuance of such Additional Bonds shall be in an amount equal to at least (i) 1.50 times the Maximum Annual Debt Service on all then Outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Housing Set-Aside Amounts pursuant to the Law, if the assessed valuation of the property of the ten largest taxpayers in the Project Area is at least twenty percent (20%) of the total Incremental Valuation, or (ii) 1.25 times the Maximum Annual Debt Service on all then Outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Housing Set-Aside Amounts pursuant to the Law, if the assessed valuation of the property of the ten largest taxpayers in the Project Area is less than twenty percent (20%) of the total Incremental Valuation, all as shown by a Certificate of an Independent Redevelopment Consultant.

(d) For purposes of the issuance of Additional Bonds, there shall not be included as Additional Bonds any Bonds the proceeds of which are deposited in an escrow fund held by the Trustee, provided that: (1) a Certificate of the Agency shall be filed with the Trustee to the effect that the proceeds of such Additional Bonds, together with additional moneys, if any, deposited in such escrow fund, together with earnings to be received upon the investment of such proceeds and such moneys will be at least sufficient to pay the interest on, as it accrues and becomes due and payable in accordance with the terms of, such Additional Bonds; (2) the Supplemental Indenture authorizing the issuance of such Additional Bonds shall provide that moneys may be transferred from said escrow fund only if Housing Set-Aside Amounts (which for this purpose shall be deemed not to include any and all payments, reimbursements and subventions specifically attributable to ad valorem taxes lost by reason of tax exemptions (other than the "homeowner's exemption") or tax rate limitations) for the then current Fiscal Year will be at least equal to (i) 1.50 times Maximum Annual Debt Service on all Outstanding Bonds (exclusive of disqualified Bonds), if the assessed valuation of the property of the ten largest tax payers in the Project Area is at least twenty percent (20%) of the total Incremental Valuation, or (ii) 1.25 times maximum Annual Debt Service on all Outstanding Bonds (exclusive of disqualified Bonds), if the assessed valuation of the property of the ten largest taxpayers in the Project Area is less than twenty percent (20%) of the total Incremental Valuation, as measured without taking into account a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (3) the

Supplemental Indenture authorizing the issuance of such Additional Bonds shall provide that Additional Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

(e) No Additional Bonds may be issued while any proceeds of any Outstanding Bonds are held in an escrow fund.

In the event such Additional Bonds are to be issued solely for the purpose of refunding and retiring any Outstanding Bonds, interest and principal payments on the Outstanding Bonds to be so refunded and retired from the proceeds of such Additional Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service. Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from the Housing Set-Aside Amounts and secured by a lien and charge on the Housing Set-Aside Amounts if, after the issuance and delivery of such tax allocation Bonds, none of the Bonds theretofore issued under the Indenture will be Outstanding. In addition, nothing contained in the Indenture shall limit the Agency from incurring any indebtedness secured by Housing Set-Aside Amounts and wholly subordinate to Bonds.

Certain Covenants of the Agency

Punctual Payment. The Agency will punctually pay the interest on and principal of and redemption premiums, if any, to become due with respect to the Bonds, in strict conformity with the terms of the Bonds and of the Indenture and will faithfully satisfy, observe and perform all conditions, covenants and requirements of the Bonds and of the Indenture.

Use of Proceeds. The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture.

No Priority. The Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Housing Set-Aside Amounts which have, or purport to have, any lien upon the Housing Set-Aside Amounts prior or superior to the lien of the Bonds authorized in the Indenture and the Agency represents that it does not have outstanding any indebtedness which is secured by a lien on the Housing Set-Aside Amounts of the Agency superior to or on a parity with the lien of the Bonds on the Housing Set-Aside Amounts. Except as permitted by the Indenture, it will not issue any obligations payable as to principal or interest, from the Housing Set-Aside Amounts, which have, or purport to have, any lien upon the Housing Set-Aside Amounts on a parity with the Bonds authorized in the Indenture. Notwithstanding the foregoing, nothing in the Indenture shall prevent the Agency or the City (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful parity lien upon the Housing Set-Aside Amounts, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all or any portion of the Outstanding Bonds, or (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Housing Set-Aside Amounts which is junior to the Bonds or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Housing Set-Aside Amounts. As used herein, "obligations" shall include, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Compliance with Regulatory Agreement. The Agency covenants and agrees to comply with all terms of the Regulatory Agreement and will not approve, execute or deliver or otherwise agree to any amendment, modification or supplement thereto except with the advice of counsel.

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds and will not, directly or indirectly, be a party to or approve any such arrangements 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 Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Management and Operation of Properties. The Agency will manage and operate all properties owned by the Agency and comprising any part of the Project in a sound and business-like manner and in conformity with all valid requirements of any governmental authority relative to the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Housing Set-Aside Amounts or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds; provided that nothing contained in the Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

Books and Accounts; Financial and Project Statements. The Agency will keep proper books of record and accounts, separate from all other records and accounts of the Agency, in which complete and correct entries shall be made of all transactions relating to the Project and the Housing Special Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Holders of not less than 10% of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

The Agency will prepare and file with the Trustee annually as soon as practicable, but in any event not later than 180 days after the close of each Fiscal Year, so long as any Bonds are Outstanding, an audited financial statement of the Agency relating to the Housing Special Fund and all other funds or accounts established pursuant to the Indenture for the preceding Fiscal Year prepared by an Independent Certified Public Accountant, showing the balances in each such fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund during such Fiscal Year and the balances in each such fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the Agency has complied with the provisions of the Indenture as it relates to such funds. The Agency will furnish a copy of such audited financial statement to any Holder upon request, to the Trustee and to investment bankers, security dealers and others interested in the Bonds.

Protection of Security and Rights of Holders. The Agency will preserve and protect the security of the Bonds and the rights of the Holders, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency. In the event of an amendment or revision to the Law which would allow the Agency to set-aside less than the Housing Set-Aside Amounts required to be set-aside by the Agency as of the date of execution of the Indenture, the Agency covenants with the Holders of the Bonds that it shall continue to set-aside a sufficient amount of its Tax Incremental Revenues to pay the Annual Debt Service and to provide for deposits to the Reserve Account as required by the Indenture, and notwithstanding any such change or revision to the

Law, such Tax Increment Revenue required to be so deposited shall be deemed to be Housing Set-Aside Amounts under the Indenture and shall be subject to the lien and pledge created under the Indenture.

Payment of Taxes and Other Charges. Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges which may be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing contained in the Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

Financing the Housing Project. The Agency will commence the financing of the Housing Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Housing Project as soon as possible.

Taxation of Leased Property. Whenever any property in the Project is redeveloped by the Agency subsequent to the date of the Indenture and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, and in either event, such leased property comprises more than 10% of the land area within the Project Area, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within 30 days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as Housing Set-Aside Amounts and shall be deposited by the Agency in the Housing Special Fund; provided, however, that this Section shall not be applicable to finance leases between the Agency and the City or to any lessee which is a joint powers agency or a public entity formed to facilitate lease financings for the City.

Disposition of Property in Project Area. The Agency will not authorize the disposition of any real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such dispositions, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall comprise more than 10% of the land area in the Project Area. If the Agency proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the Indenture, shall comprise more than 10% of the land area in the Project Area, it shall appoint an Independent Redevelopment Consultant and direct such consultant to submit a Consultant's Report on the effect of such proposed disposition. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law and required to be deposited in the Housing Special Fund will not be reduced below 1.25 times the Maximum Annual Debt Service on the Outstanding Bonds by such proposed disposition, the Agency may make such proposed disposition. If the Consultant's Report concludes that the taxes from the Project Area

eligible for allocation to the Agency under the Law will be materially reduced by such proposed disposition, the Agency shall either not make such proposed disposition or, in its discretion and as a condition precedent to its approval of such proposed disposition, shall require that such new owner or owners either: (1) pay to the Agency, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Agency as Housing Set-Aside Amounts if such property were assessed and taxed in the same manner as privately-owned non-exempt property, which payment shall be made within 30 days after taxes for each year would become payable to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or (2) pay to the Agency a single sum equal to the amount estimated by the Agency to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Bonds, less a reasonable discount value.

All such payments to the Agency in lieu of taxes shall be treated as Housing Set-Aside Amounts and shall be deposited by the Agency with the Trustee for deposit in the Housing Special Fund.

Amendment of Redevelopment Plan. If the Agency proposes to amend the Redevelopment Plan, it shall appoint an Independent Redevelopment Consultant and direct such consultant to submit a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will not be materially reduced by such proposed amendment, the Agency may make such amendment. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will be materially reduced by such proposed amendment, the Agency shall not make such proposed amendment.

Housing Set-Aside Amounts; Fiscal Agreements. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Housing Set-Aside Amounts, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of San Mateo County.

The Agency shall not approve, execute or deliver any agreement, or approve, execute or deliver or otherwise agree to any amendment, modification or supplement to any of the Fiscal Agreements or any other tax sharing agreements, which will reduce, or would have the effect of reducing, the Housing Set-Aside Amounts.

Very Low, Low or Moderate Income Housing Support. The Agency covenants that it will comply with the requirements set forth in Section 33334.2 of the Law regarding the use of Housing Set-Aside Amounts, subject to any limitation set forth in the Indenture and the Law.

Further Assurances. The Agency will adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Indenture.

Continuing Disclosure. The Agency and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Agency or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee shall, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds), or any Bondholder or Beneficial Owner may, take such actions as may be necessary and appropriate,

including seeking mandate or specific performance by court order, to cause the Agency or the Trustee, as the case may be, to comply with its obligations under this Section; provided that the Trustee shall not be obligated to take such actions unless funds in an amount satisfactory to the Trustee has been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee, whatsoever, without limitation, fees and expenses of its attorneys. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Amendment by Consent of Holders

The Indenture and the rights and obligations of the Agency and of the Holders may be amended at any time by a supplemental indenture which shall become binding when the written consents of the Holders of 60% or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Agency to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the Indenture of any Bond, without the express written consent of the Holder of such Bond, or (2) permit the creation by the Agency of any mortgage, pledge or lien upon the Housing Set-Aside Amounts superior to or on a parity with the pledge and lien created in the Indenture for the benefit of the Bonds other than as provided for in this Indenture, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Agency and of the Holders may also be amended at any time by a supplemental indenture which shall become binding upon execution and delivery, without the consent of any Holders, but only to the extent permitted by law and only for any one or more of the following purposes: (a) to add to the covenants and agreements of the Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to surrender any right or power in the Indenture reserved to or conferred upon the Agency; (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising under the Indenture, as the Agency may deem necessary or desirable and not inconsistent with the Indenture, and which shall not adversely affect the interest of the Holders; or (c) to provide for the issuance of any Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture; or (d) to add to the covenants of the Agency regarding tax matters in the event that Additional Bonds are issued, the interest on which is exempt from gross income for federal income tax purposes; or (e) to add provisions relating to Special Bonds in addition to those set forth in the Indenture.

Events of Default

The following events shall be events of default under the Indenture (herein called "Events of Default"): (a) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) if default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; (c) if default shall be made by the Agency in the observance of any of the other agreements, conditions or covenants on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of 30 days after the Agency shall have been given notice in writing of

such default by the Trustee; or (d) if the Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

In each and every such case during the continuance of such Event of Default, the Trustee shall, upon the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding, by notice in writing to the Agency, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Notwithstanding anything in this section to the contrary, (1) the 1996 Insurer, acting alone, shall have the right to direct all remedies upon the occurrence of an Event of Default under the Indenture and shall be recognized as the Holder of the Series 1996 Bonds for purposes of exercising all right and privileges available to Bondholders, (2) the 1996 Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as a Holder of a Series 1996 Bonds in accordance with the applicable provisions of the Indenture; and (3) the Bonds may be declared immediately due and payable only with the prior written consent of the 1996 Insurer.

Discharge of Indebtedness

If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Indenture, then the Holders of such Bonds shall cease to be entitled to the pledge of Housing Set-Aside Amounts, and all covenants, agreements and other obligations of the Agency to the Holders of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall after payment of amounts due the Trustee under the Indenture pay over or deliver to the Agency all money or securities held by it pursuant to the Indenture which are not required for the payment of the interest due on and the principal of such Bonds.

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

Any Outstanding Bonds shall prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if (1) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the interest due and to become due on such Bonds on and prior to the maturity date thereof, and the principal of such Bonds and (2) the Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Holders of such Bonds that the deposit required by (1) above has been made with the Trustee and

that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date upon which money is to be available for the payment of the principal of such Bonds.

Unclaimed Moneys

Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the said date when such Bonds become due and payable, shall be repaid by the Trustee to the Agency, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee shall, at the expense of the Agency, cause to be mailed to the registered Holders of such Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Agency.

APPENDIX B

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Series 1996 Bonds. The Series 1996 Bonds will be issued as fully-registered bonds, registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 1996 Bond will be issued for each maturity of the Series 1996 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 1996 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1996 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 1996 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, but Beneficial Owners are 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 interest in the Series 1996 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 1996 Bonds, except in the event that use of the book-entry system for the Series 1996 Bonds is discontinued.

To facilitate subsequent transfers, all Series 1996 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 1996 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1996 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The 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.

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 1996 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer 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 Series 1996 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, sinking fund and interest payments with respect to the Series 1996 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 1996 Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 1996 Bonds are required to be printed and delivered as described in the Indenture.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered as described in the Indenture.

The Agency cannot and does not give any assurances that DTC will distribute to DTC Participants, or that DTC Participants or others will distribute to the Beneficial Owners payments of principal of, interest and premium, if any, on the Series 1996 Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Agency is not responsible or liable for the failure of DTC or any DTC Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 1996 Bonds or any error or delay relating thereto.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 1996 Bonds, payment of principal, interest and other payments on the Series 1996 Bonds to DTC Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 1996 Bonds and other related transactions by and between DTC, the DTC Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters

and neither the DTC Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Series 1996 Bonds at any time by giving notice to the Trustee and discharging its responsibilities with respect thereto under applicable law or, the Agency may terminate its participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the Agency will execute, and the Trustee will authenticate and make available for delivery, replacement Series 1996 Bonds in the form of registered certificates. In addition, the following provisions would apply: the principal of and redemption premium, if any, on the Series 1996 Bonds will be payable at the corporate trust office of the Trustee, in St. Paul, Minnesota, and interest on the Series 1996 Bonds will be payable by check mailed on each interest payment date to the registered owners thereof as shown on the registration books of the Trustee as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date; *provided, however*, that registered owners of at least \$1,000,000 aggregate principal amount of Series 1996 Bonds may, at any time prior to such fifteenth day, give the Trustee written instructions for payment of such interest on each succeeding interest payment date by wire transfer or by deposit to an account maintained with a paying agent for the Series 1996 Bonds. Series 1996 Bonds will be transferable and exchangeable on the terms and conditions provided in the Indenture.

Transfer Fees

For every transfer and exchange of Series 1996 Bonds, Beneficial Owners may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Trustee, DTC or the DTC Participant in connection with such transfers or exchanges.

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APPENDIX D

SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF BELMONT

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SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF BELMONT

The following information concerning the City of Belmont, the County of San Mateo and surrounding areas are included only for the purpose of supplying general information regarding the community.

General

The City of Belmont (the "City"), located in San Mateo County, is situated approximately 25 miles south of San Francisco. The City covers about 4.3 square miles. Elevation in the City ranges from 10 to 750 feet above sea level.

Climate

The City enjoys mediterranean-type sun-belt weather with warm summers and mild winters. Year-round temperatures average from a January minimum of 42 degrees to a July maximum of 75 degrees. The average yearly rainfall of 18 inches occurs predominantly during the winter months. Humidity is fairly constant throughout the year at 70 percent. Prevailing winds are from the southeast averaging 8-10 miles per hour.

Municipal Government

The City was incorporated as a general law city in 1926. A Council- Manager form of municipal government is utilized. Five council members, including the Mayor, appoint the City Manager to administer day-to-day affairs under the policy guidelines of the City Council. As of June 30, 1995, the City had approximately 113 full time employees. Audited 1994-95 General Fund revenues and expenditures equaled \$6.99 million and \$6.77 million, respectively. Budgeted 1995-96 General Fund revenues (including beginning balance) and expenditures equal approximately \$8,120,877 and \$7,429,156, respectively.

Law enforcement services are provided by the Belmont Police Department.

Fire protection and rescue service is provided for Belmont and San Carlos by the South County Fire Authority, a joint powers authority formed by such municipalities.

Population

The City is a mature community with a stable population of approximately 25,100; population has remained relatively constant since 1980.

City of Belmont Population

| <u>Year</u> | <u>Population</u> |
|-------------|-------------------|
| 1960 | 14,996 |
| 1970 | 23,538 |
| 1980 | 24,505 |
| 1985 | 24,410 |
| 1986 | 24,411 |
| 1987 | 24,287 |
| 1988 | 24,093 |
| 1989 | 24,031 |
| 1990 | 24,127 |
| 1991 | 24,250 |
| 1992 | 24,700 |
| 1993 | 25,050 |
| 1994 | 25,450 |
| 1995 | 25,100 |

Source: U.S. Census Bureau for 1960, 1970, 1980 and 1990. California State Department of Finance for all other years.

Employment

The City is included in San Mateo County's Annual Planning Information from the State of California Employment Development Department. The civilian labor force, employment and unemployment for the County is outlined in the following table:

San Mateo County Civilian Labor Force, Employment and Unemployment

| | <u>Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>Unemployment Rate</u> |
|------|--------------------|-------------------|---------------------|------------------------------|
| 1991 | 364,100 | 349,300 | 14,800 | 4.1% |
| 1992 | 365,000 | 346,100 | 18,900 | 5.2 |
| 1993 | 366,000 | 347,100 | 18,900 | 5.2 |
| 1994 | 371,100 | 352,800 | 18,300 | 4.9 |
| 1995 | 368,900 | 352,400 | 16,500 | 4.5 |

Source: State of California, Employment Development Department.

Average Civilian Employment by Industry

The following is a summary of average employment by industry in San Mateo County from 1989 through 1993. This data does not include self-employed persons, volunteer workers, unpaid family workers, farmers, private household workers, or persons involved in labor-management disputes.

San Mateo County Wage and Salary Employment by Industry

| <u>Industry</u> | <u>1989</u> | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Agriculture | 2,900 | 2,900 | 2,900 | 3,000 | 3,100 |
| Mining and Construction | 12,500 | 13,300 | 12,400 | 11,600 | 10,700 |
| Manufacturing | 34,600 | 34,800 | 34,300 | 33,300 | 33,000 |
| Transportation and Public Utilities | 34,300 | 36,500 | 37,800 | 39,800 | 37,700 |
| Wholesale Trade | 23,700 | 23,400 | 23,700 | 23,100 | 20,600 |
| Retail Trade | 21,700 | 54,300 | 53,000 | 51,200 | 51,200 |
| Finance, Insurance, Real Estate | 20,900 | 21,300 | 22,500 | 21,800 | 22,200 |
| Services | 74,400 | 78,400 | 81,300 | 82,800 | 83,600 |
| Government* | <u>33,000</u> | <u>33,900</u> | <u>34,000</u> | <u>33,300</u> | <u>33,000</u> |
| Total | 291,000 | 298,800 | 302,000 | 298,900 | 295,100 |

* Includes all civilian government employees regardless of activity in which engaged.

Note: 1994 data, which was previously released, is currently being revised and is unavailable at this time.

Source: State of California, Employment Development Department.

Commercial Activity

An eight-year summary of taxable transactions in the City is shown in the following table.

City of Belmont Value of Taxable Transactions

| Year | Retail Outlets | | All Other Outlets | |
|------|----------------|----------------------|-------------------|----------------------|
| | No. of Permits | Taxable Transactions | No. of Permits | Taxable Transactions |
| 1987 | 209 | \$73,887,000 | 781 | \$41,877,000 |
| 1988 | 198 | 77,219,000 | 714 | 47,710,000 |
| 1989 | 200 | 82,456,000 | 691 | 57,749,000 |
| 1990 | 209 | 79,212,000 | 746 | 62,158,000 |
| 1991 | 197 | 79,728,000 | 710 | 85,414,000 |
| 1992 | 227 | 82,423,000 | 723 | 60,672,000 |
| 1993 | 221 | 79,296,000 | 684 | 89,218,000 |
| 1994 | 223 | 79,403,000 | 681 | 78,795,000 |

Source: State Board of Equalization.

Public Utilities

Water is supplied to the City by Belmont County Water District. Industrial waste and sewer services are furnished by the South Bayside System Authority. Electricity and natural gas is provided by Pacific Gas & Electric Company and telephone service is supplied by Pacific Bell.

Transportation

Highways: The City is served by U.S. 101 and Interstate 280 for North/South traffic and is located halfway between State Highways 92 and 84 for East/West traffic across the bay and to the coast. Major local streets are: El Camino Real (U.S. 101), Ralston Avenue and Alameda de las Pulgas.

Rail: The City is served by Southern Pacific main line with local spurs. Commuter train service is provided by CAL TRAIN to San Francisco and San Jose from the Belmont Depot located on El Camino Real at Ralston Avenue.

Trucks: Approximately 50 common carriers serve the area including two with terminals in San Carlos. Overnight deliveries are made to all points within 500 miles and all California cities.

Bus: Regional and local bus service is provided by SamTrans (San Mateo County Transit) between San Francisco and Palo Alto. SamTrans also coordinates its service with other regional agencies (BART, Santa Clara County Transit, etc.).

Water: The City is 20 miles south of San Francisco port facilities, four miles north of Redwood City port facilities and 30 miles across the bay from the Port of Oakland.

Air: San Francisco International Airport is located 10 miles to the north. San Jose is 32 miles to the south and the neighboring (3 miles) San Carlos Airport is a local general aviation facility with a control tower and runway 2,600 feet long.

Assessed Valuations

Set forth below is a listing of the City's assessed valuations (before redevelopment adjustment) for fiscal years 1986/87 through 1995/96.

City of Belmont Assessed Valuations

| <u>Year Ending June 30</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Total</u> |
|--------------------------------|----------------------|------------------------------|-----------------|
| 1987 | \$1,023,111,289 | \$39,282,152 | \$1,062,393,441 |
| 1988 | 1,101,765,874 | 41,093,023 | 1,142,858,897 |
| 1989 | 1,173,701,173 | 39,441,821 | 1,213,142,994 |
| 1990 | 1,277,820,977 | 54,553,649 | 1,332,374,626 |
| 1991 | 1,424,612,354 | 70,785,471 | 1,495,397,825 |
| 1992 | 1,496,143,000 | 62,810,964 | 1,558,953,964 |
| 1993 | 1,576,972,473 | 57,977,038 | 1,634,949,511 |
| 1994 | 1,655,640,981 | 50,156,103 | 1,705,797,084 |
| 1995 | 1,703,215,852 | 51,096,385 | 1,754,912,237 |
| 1996 | 1,778,496,383 | 41,763,118 | 1,320,259,501 |

Source: City of Belmont audited financial statements and San Mateo County Controller's Office.

Construction Activity

The total valuation of building permits issued in the City is shown in the table below for the calendar years 1990 to 1994. As shown in the following table, valuations decreased substantially between 1992 and 1993 due to the nationwide recession. In 1994, significant activity within the Project Area contributed to the substantial increase from 1993.

City of Belmont Building Permit Valuations (thousands of dollars)

| Residential | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> | <u>1994</u> |
|------------------------|-----------------|---------------|---------------|-----------------|------------------|
| New single-dwelling | \$10,603 | \$ 3,046 | \$ 1,794 | \$1,334 | \$ 2,918 |
| New multi-dwelling | 0 | 0 | 8,106 | 0 | 2,641 |
| Additions, alterations | <u>3,834</u> | <u>4,410</u> | <u>3,311</u> | <u>3,536</u> | <u>3,607</u> |
| Total Residential | \$14,437 | \$7,456 | \$13,211 | \$4,871 | \$ 9,166 |
| Non-Residential | | | | | |
| New commercial | \$ 3,346 | \$ 0 | \$ 345 | \$ 16 | \$16,500 |
| New industrial | 0 | 0 | 8 | 0 | 0 |
| Other | 234 | 15 | 339 | 1,352 | 210 |
| Additions, alterations | <u>3,117</u> | <u>944</u> | <u>147</u> | <u>982</u> | <u>2,674</u> |
| Total Non-Residential | \$ <u>6,697</u> | \$ <u>959</u> | \$ <u>839</u> | \$ <u>2,349</u> | \$ <u>19,385</u> |
| Total Valuation | \$21,133 | \$8,415 | \$14,050 | \$7,220 | \$28,551 |

Note: Totals may not add due to independent rounding.
Source: Economic Sciences Corporation.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Belmont Redevelopment Agency
Belmont, California

Re: Belmont Redevelopment Agency Los Costanos
Community Development Project Area Housing Set-Aside
Tax Allocation Bonds (Taxable), Series 1996
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Belmont Redevelopment Agency (the "Issuer") of \$3,265,000 aggregate principal amount of bonds designated Belmont Redevelopment Agency Los Costanos Community Development Project Area Housing Set-Aside Tax Allocation Bonds (Taxable), Series 1996 (the "Bonds"), issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and an Indenture of Trust, dated as of March 1, 1996, by and between the Issuer and First Trust of California, National Association, as trustee (the "Trustee") (the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee 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 and other relevant documents may be changed and certain actions (including, without limitation, the 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 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 based on an analysis of existing laws, regulations, rulings and court 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. 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 letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. 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. In addition, we call attention to the

fact that the rights and obligations under the Bonds and the Indenture and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other 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 redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, 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.

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 valid and binding limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Housing Set-Aside Amounts and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.
3. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Belmont or the State of California and said City and said State are not liable for the payment thereof.
4. Interest on the Bonds is exempt from State of California personal income taxes. However, we note that no attempt has been made to comply with the requirements of the Internal Revenue Code (the "Code") and, therefore, interest on the Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Code. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE

Per

APPENDIX F

FORM OF THE CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Belmont Redevelopment Agency (the "Agency") and First Trust of California, National Association as Dissemination Agent and as Trustee (the "Dissemination Agent" and "Trustee") in connection with the issuance of \$3,265,000 Belmont Redevelopment Agency Los Costanos Community Development Project Housing Set-Aside Tax Allocation Bonds (Taxable), Series 1996 (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust dated as of March 1, 1996 between the Agency and the Trustee (the "Indenture"). Pursuant to Section 5.18 of the Indenture, the Agency and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency, Dissemination Agent and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term 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 Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

"Disclosure Representative" shall mean the Executive Director or Financial Officer of the Agency or his or her designee, or such other person as the Agency shall designate in writing to the Trustee and Dissemination Agent from time to time.

"Dissemination Agent" shall mean First Trust of California, National Association, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Trustee a written acceptance of such designation.

"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. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"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(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

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

SECTION 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, upon written direction, not later than 210 days after the end of the Agency's fiscal year (which presently ends on June 30), commencing with the report for the 1995-96 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, 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 the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than 14 days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Agency shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Agency and the Dissemination Agent to determine if the Agency is in compliance with the first sentence of this subsection (b). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the Agency and shall have no duty or obligation to review such Annual Report.

(c) If the Trustee is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the Agency and (if the Dissemination Agent is not the Trustee) the Trustee, to the extent information is available to it, 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.

SECTION 4. Content of Annual Reports. The Agency's Annual Report shall contain or include by reference the following:

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

2. An update for the last fiscal year of the financial information and operating data with respect to the Agency for the prior fiscal year of the type included in the following tables located in the Official Statement relating to the Bonds, dated March 27, 1996 (the "Official Statement"), as follows (to the extent not included in the Agency's audited financial statements):

(a) the table on page 28 of the Official Statement entitled "Historical Incremental Assessed Valuation";

(b) the table on page 29 of the Official Statement entitled "Historical Receipt of Tax Increment Revenues"; and

(c) the table on page 30 of the Official Statement entitled "Ten Largest Secured Property Assesseees".

3. Calculation of *pro forma* coverage ratio calculated in the same manner as provided on page 29 of the "Official Statement" under the heading "Debt Service Coverage" with respect to Housing Set-Aside Amounts for the prior fiscal year (which may be included in the audited financial statement).

4. Information on appeals by top ten taxpayers in the Project Area (which may be included in the audited financial statement), to the extent known by the Agency after inquiry to the County of San Mateo.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Agency is an "obligated person" (as defined by the Rule), which have been filed with 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 Agency 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 Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material (it being understood that the Bonds are not tax-exempt under federal law):

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties.
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day, or as soon thereafter as reasonably practicable, after obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Agency promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Bondholders under the Indenture. The Trustee may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Trustee with regular

responsibility for the administration of matters related to the Indenture. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Agency shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material under applicable federal securities laws, the Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Agency to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repositories with a copy to the Agency. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Agency's obligations under the Loan Agreements are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Agency and the original Agency shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency, Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Dissemination Agent and Trustee shall agree to any amendment so requested by the Agency provided, neither the Trustee or the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder) 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 the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency 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 Agency 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 Agency shall have no obligation under this 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 Agency to comply with any provision of this Disclosure Agreement, the Trustee shall (at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture, and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent and the Trustee, their 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 their 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 Trustee or Dissemination Agent's respective negligence or wilful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bondholders, or any other party. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Agency: Belmont Redevelopment Agency
c/o the City of Belmont
1365 Fifth Avenue
Belmont, California 94002
Attention: Assistant City Manager / Finance Director
Telephone/Fax: (415) 595-7435 / (415) 595-5206

To the Trustee: First Trust of California, National Association
One California Street, 4th Floor
San Francisco, California 94111
Attention: Corporate Trust Department
Telephone/Fax:

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, 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 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: April __, 1996

BELMONT REDEVELOPMENT AGENCY

By _____
Financial Officer

FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, as Trustee and as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Belmont Redevelopment Agency

Name of Bond Issue: Belmont Redevelopment Agency Los Costanos Community Development Project Area Housing Set-Aside Tax Allocation Bonds (Taxable), Series 1996

Date of Issuance: April __, 1996

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement relating to the Bond Issue. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

FIRST TRUST OF CALIFORNIA, NATIONAL
ASSOCIATION, on behalf of ISSUER

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of April __, 1996:

Bloomberg Municipal Repository

P.O. Box 840
Princeton, NJ 08542-0840
Internet address: MUNIS@bloomberg.doc
(609) 279-3200
FAX (609) 279-3235 (609) 279-5963
Contact: Dave Campbell

The Bond Buyer

Secondary Market Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
Internet address: Disclosure@muller.com
(212) 807-3814
FAX (212) 989-9282
Contact: Thomas Garske

Disclosure, Inc.

Document Augmentation/
Municipal Securities
5161 River Road
Bethesda, MD 20816
(301) 951-1450
FAX (301) 718-2329
Contact: Barry Sugarman (301) 215-6015

JJ Kenny Information Services

The Repository
65 Broadway, 16th Floor
New York, NY 10006
(212) 770-4568
FAX (212) 797-7994
Contact: Joan Horai, Repository

Moody's NRMSIR

Public Finance Information Center
99 Church Street
New York, NY 10007-2796
(800) 339-6306
FAX (212) 553-1460
Contact: Claudette Stephenson
(212) 553-0345

Donnelly Financial

Municipal Securities Disclosure Archives
559 Main Street
Hudson, MA 01749
Internet address: [HTTP://www.municipal.com](http://www.municipal.com)
(800) 580-3670
FAX (508) 562-1969

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APPENDIX G

SPECIMEN BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage 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.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

SPECIMEN