Hawkins Delafield & Wood LLP
Draft of 1-7-2010

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY ___, 2010

NEW ISSUE – BOOK-ENTRY ONLY

Rating: S&P: ____
See "Rating" herein.

*In the opinion of Nossaman LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*

**$________***

# MARIN EMERGENCY RADIO AUTHORITY
# 2010 REFUNDING REVENUE BONDS
# (MARIN PUBLIC SAFETY AND EMERGENCY RADIO SYSTEM)

Dated: Date of Delivery

Due: August 15, as shown below

The Marin Emergency Radio Authority (the "Authority") 2010 Refunding Revenue Bonds (Marin Public Safety and Emergency Radio System) (the "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. Individual purchases will be made in principal amounts of $5,000 and integral multiples thereof and will be in book entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds, which is payable semiannually on each February 15 and August 15, commencing August 15, 2010, and the principal thereof are payable by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of the Bonds through their nominees.

**The Bonds are subject to optional, mandatory and extraordinary redemption as more fully described herein.**

The Bonds will be issued and secured pursuant to the terms of an Indenture of Trust, dated as of February 1, 2010 (the "Indenture"), by and between the Authority and the Trustee. The Bonds are special obligations of the Authority payable solely from Revenues consisting generally of the Service Payments to be made by the County of Marin (the "County") and 23 other local agencies within the County identified herein (each, a "Participant" and collectively, the "Participants"), and from amounts on deposit in certain funds and accounts held under the Indenture. No other funds of the Authority are pledged to or available for payment of the principal of or interest on the Bonds. Additional bonds secured by the Revenues on a parity with the Bonds may be issued in the future.

The Service Payments securing the Bonds are payable by the Participants under that certain Restated Project Operating Agreement, dated as of February 1, 2010 (the "Operating Agreement"), by and among the Authority and 24 other local agencies including the Participants (each, a "Member" and collectively, the "Members"). The Service Payments are payable from the Participants in consideration of Radio Service to be provided by the Authority. The obligation to make Service Payments is secured by an intercept mechanism of the ad valorem property taxes of the Participants. Service Payments will be subject to abatement in the event of a material failure to receive Radio Service. There are no "cross-collateralization" or "step-up" provisions under the Operating Agreement; individual Participants are not obligated to make up for any deficiency in the Service Payments of other Participants.

Neither the faith and credit nor the taxing power of the State of California (the "State") or any public agency thereof or the Authority or any Participant or any member of the Authority is pledged to the payment of the Bonds. The Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than a special obligation of the Authority payable solely from the Revenues) or any Participant or any Member of the Authority, and neither the directors or officers of the Authority nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. The Authority has no taxing power.

**Maturity Schedule**
**$______ Serial Bonds**

| Maturity (Aug. 15) | Principal Amount | Interest Rate | Price or Yield | CUSIP No.† | Maturity (Aug. 15) | Principal Amount | Interest Rate | Price or Yield | CUSIP No.† |
|---|---|---|---|---|---|---|---|---|---|

* Preliminary, subject to change.

† CUSIP data included herein is provided by the Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. and is provided for convenience of reference only. None of the Authority, the Participants or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

The Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Nossaman LLP, Irvine, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. Certain legal matters will be passed upon by counsel to the Authority and the counsels to each Participant. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about _________, 2010.

**[Stone & Youngberg Logo]**

Dated: ___________, 2010.

No broker, dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority or the Underwriter. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been obtained from the Authority and other sources believed by the Authority and the Underwriter to be reliable.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

**MARIN EMERGENCY RADIO AUTHORITY**

**MEMBERS/BOARD MEMBERS**

County of Marin – Steve Kinsey, President
City of San Rafael – Ken Nordhoff, Vice President
City of Belvedere – George Rodericks
Town of Corte Madera – David Bracken
Town of Fairfax – Ken Hughes
City of Larkspur – Robert Sinnott
City of Mill Valley – Wayne Bush
City of Novato – Joe Kreins
Town of Ross – Tom Gaffney
Town of San Anselmo – Charles Maynard
City of Sausalito – Jonathan Leone
Town of Tiburon – Michael Cronin
Bolinas Fire Protection District – Anita Tyrrell-Brown
Inverness Public Utility District – James Fox
Kentfield Fire Protection District – Paul Smith
Marin Community College District – Charles Lacy
Marin County Transit District – David Rzepinski
Marin Municipal Water District – Paul Helliker
Marinwood Community Service District – Bruce Anderson
Novato Fire Protection District – Marc Revere
Ross Valley Fire Service – Roger Meagor
Southern Marin Fire Protection District – Jim Irving
Stinson Beach Fire Protection District – Phillip O'Brien
Tiburon Fire Protection District – Richard Pearce
Twin Cities Police Authority – Phil Green

**AUTHORITY STAFF**

Maureen Cassingham, Executive Officer
Farhad Mansourian, Operations Officer

**BOND COUNSEL**

Nossaman LLP
Irvine, California

**DISCLOSURE COUNSEL**

Hawkins Delafield & Wood LLP
San Francisco, California

**TRUSTEE**

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

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**(MARIN PUBLIC SAFETY AND EMERGENCY RADIO SYSTEM)**

## INTRODUCTION

### General

This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the sale and delivery of the Marin Emergency Radio Authority (the "Authority") 2010 Refunding Revenue Bonds (Marin Public Safety and Emergency Radio System) (the "Bonds"). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" hereto. This Introduction is subject in all respects to the more complete information contained in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Authority issued its Marin Emergency Radio Authority 1999 Revenue Bonds (Marin Public Safety and Emergency Radio System) (the "1999 Bonds"), in the original principal amount of $26,940,000, of which $19,035,000 currently remain outstanding, for the purpose of providing money to pay the costs of the acquisition and installation of a public safety radio system (the "Project") in the County of Marin, California (the "County"). See "THE AUTHORITY – The Project and the Facilities" for additional information on the Project. The 1999 Bonds were issued pursuant to an Indenture of Trust, dated as of February 1, 1999 (the "1999 Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor in interest to U.S. Trust Company, National Association, as trustee (the "1999 Trustee").

The Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2010 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as trustee, and are authorized pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code (the "Law").

### The Authority

The Authority is a joint exercise of powers agency created on February 28, 1998 pursuant to the California Government Code and a Joint Powers Agreement, by and among the County and 24 local agencies within the County (each, a "Member" and collectively, the "Members"). The Authority's purpose is to plan, finance, implement, manage, own and operate a multi-jurisdictional and County-wide public safety and emergency radio system. For more information regarding the Authority, see "THE AUTHORITY" herein. For information on the service area of the Authority, see APPENDIX A – "DEMOGRAPHIC INFORMATION REGARDING THE SERVICE AREA OF THE AUTHORITY" attached hereto.

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[*] Preliminary, subject to change.

**Plan of Financing and Refunding**

The proceeds of the Bonds and other available funds will generally be used to refund the 1999 Bonds, finance capital improvements on the Project, fund a Reserve Fund for the Bonds, and to pay the costs incurred in issuing the Bonds. See "PLAN OF FINANCING AND REFUNDING" herein.

**Security for the Bonds.**

The Bonds will be issued and secured pursuant to the terms of the Indenture. The Bonds are special obligations of the Authority payable solely from Revenues consisting generally of the Service Payments to be made by the County and 23 Members within the County (each, a "Participant" and collectively, the "Participants") under that certain Restated Project Operating Agreement, dated as of February 1, 2010 (the "Operating Agreement"), by and among the Authority and the Members, and from amounts on deposit in certain funds and accounts held under the Indenture. No funds of the Authority other than the Revenues are pledged to or available for payment of the principal of or interest on the Bonds. The Authority may issue additional Bonds on a parity with the Bonds in the future ("Parity Bonds").

The Service Payments securing the Bonds are payable by the Participants under the Operating Agreement. The Service Payments are payable from the legally available funds of the Participants in consideration of radio service (the "Radio Service") to be provided by the Authority. The obligation to make Service Payments is secured by an intercept mechanism of the ad valorem property taxes of the Participants. Service Payments will be subject to abatement in the event of a material failure to receive Radio Service. There are no "cross-collateralization" or "step-up" provisions under the Operating Agreement. Individual Participants are not obligated to make up for any deficiency in the Service Payments of other Participants.

Neither the faith and credit nor the taxing power of the State of California (the "State") or any public agency thereof or the Authority or any Participant or any member of the Authority is pledged to the payment of the Bonds. The Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than a special obligation of the Authority payable solely from the Revenues) or any Participant or any member of the Authority, and neither the directors or officers of the Authority nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. The Authority has no taxing power.

For more information regarding the security for the Bonds, see "SECURITY FOR THE BONDS" herein.

**The Reserve Fund**

Under the Indenture, the Trustee is to establish, maintain and hold in trust a separate fund designated as the Reserve Fund. Upon the issuance of the Bonds, $_______ will be deposited in the Reserve Fund, which amount is equal to the initial Reserve Requirement (as defined herein) with respect to the Bonds. Moneys available to the Reserve Fund will be used to pay principal of and interest on the Bonds in the event Service Payments deposited with the Trustee are insufficient therefor. For more information concerning the Reserve Fund, see "SECURITY FOR THE BONDS – Reserve Fund" herein.

**Redemption**

The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption as described herein. See "THE BONDS" herein.

## Continuing Disclosure

The Authority will covenant in a Continuing Disclosure Agreement to provide certain financial information and notices of certain events, if material. Such information and notices will be filed by the Trustee as Dissemination Agent with the Municipal Securities Rulemaking Board (the "MSRB"). For more information concerning continuing disclosure, see "CONTINUING DISCLOSURE" and APPENDIX H – "FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

The Authority and each Participant regularly prepares a variety of reports, including audits, budgets and related documents. Any interested person may obtain a copy of certain reports, as available, from the Authority and the Participants. Additional information regarding the Official Statement may be obtained by contacting the Trustee or the Authority.

# THE AUTHORITY

## General

The Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code, and pursuant to the Joint Powers Agreement, dated February 28, 1998, as amended (the "JPA Agreement"), by and among the Members. The Authority is authorized to issue the Bonds under the Law. The Authority's purpose is to plan, finance, implement, manage, own and operate a multi-jurisdictional and County-wide public safety, public service and emergency radio system.

The Authority is governed by the Board which exercises all powers and authority on behalf of the Authority. The Board consists of one member of the governing body or the chief administrative officer or a designee of the Members which are party to the JPA Agreement. For a list of the current Board members, see the first page of this Official Statement following the cover. A majority of the members of the Board constitutes a quorum for the transaction of business. The Authority acts upon majority vote of those members in attendance, each member having one vote. The Board elects, by majority vote from its members, a President and Vice President. The President represents the Authority and executes any contracts and other documents. The Vice President serves in the absence of the President.

The Authority Board has an Executive Committee which is responsible to the Board for the administration and management of Authority affairs and for the provision of assistance and advice to the Board. The Executive Committee may enter into contracts with other entities. The Executive Committee is required to adhere to the budget adopted by the Board. The Executive Committee is comprised of eight voting members and three at-large non-voting members. The current voting members consist of representatives from the following: the County, the City of San Rafael, the City of Novato, the Novato Fire Protection District, the other fire districts, the Ross Valley agencies, the Southern Marin cities and towns, and the County Sheriff. The current non-voting members consist of representatives from the following: the County's Fire Chiefs Association, the County's Police Chiefs Association and the County's Public Works Association. No action shall be taken by the Executive Committee except upon an affirmative vote of five voting members. All members of the Executive Committee serve two-year terms and may be reappointed, except for the County Sheriff who serves as a voting member on an indefinite basis.

The Authority currently has an Executive Officer and an Operations Officer, who serve as consultants to the Authority. The Executive Officer and the Operations Officer are not employees of the Authority. Brief biographies of the Executive Officer and the Operations Officer follow:

***Maureen Cassingham, Executive Officer.*** Ms. Cassingham has been the Executive Officer of the Authority for two years, and has 30 years' experience working with local governments and public agencies.

***Farhad Mansourian, Operations Officer.*** Mr. Mansourian serves as the Authority's Operations Officer. He has worked for the County for 29 years. He has extensive experience in public works, and has been the County's Public Works Director since 2003.

**The Project and the Facilities**

The 1999 Bonds funded the Project, which is comprised of certain real property, improvements and equipment constituting a public safety, emergency and public services wireless radio communications system (the "System"), using frequencies in the 480 MHz UHF-T band, that replaced the systems previously used by the Members. The System was designed to provide the Members with effective and reliable radio communications for routine intra-agency operations and inter-agency communications during mutual aid and disaster operations within the 606 square miles of the County. Similar projects have been constructed and are operating in the states of Florida and Michigan, the counties of San Diego and Alameda in California and King County in Washington, and the cities of Sarasota, Florida; Portland, Oregon; Cleveland, Ohio and San Diego, California.

The Warner Group was initially retained to provide project management and technical assistance to the Authority for improving County-wide radio communications. The Warner Group worked with the Authority to determine the most appropriate technological approach for upgrading the public safety and public service radio systems throughout the County. With input from the Authority, the Warner Group prepared functional and technical specifications for the System in the form of a Request for Proposal and assisted the Authority in a competitive procurement.

The System utilizes 30 frequency pairs in the 480 MHz, UHF-T Band designated by the Federal Communications Commission (the "FCC") for public safety and public service use by the Members. The Code of Federal Regulations (CFR), Title 47, Chapter 1, *et seq*. governs the use of radio spectrum by public agencies.

The System is comprised of a "backbone" of 14 base station radio and receiver sites, one microwave-only site and associated equipment; microwave equipment to link the base station repeaters and receivers; communications center console hardware and software; mobile and hand held user radio equipment; developed radio sites and other leased and owned facilities that support the backbone and associated computer hardware and software that is installed at these facilities and in public safety and public service vehicles. The System encompasses two separate simulcast zones and three repeater fill-in sites. The eastern simulcast zone consists of six transmit/receive sites and two receive only sites each with nine trunked radio channels, and provides radio coverage for the dense urban area along the corridor formed by U.S. Highway 101. The western simulcast zone consists of three sites, each with six trunked radio channels and provides radio coverage for the rural parts of the County along U.S. Highway 1. Fill-in radio coverage is provided by three additional sites, each with five trunked radio channels. All sites are linked by a digital microwave network. The System is designed to provide seamless radio coverage for users throughout substantially all of the County.

| Site | Channels | Building (B) / Tower (T) / Generator (G) | Ownership |
|---|---|---|---|
| Barnabe Mountain | 6 Trunked | B,G | County of Marin |
| Big Rock | 9 Trunked | G | Leased Site |
| Bodega Bay | 5 Trunked | B, G | Leased Site |
| Stewart Point (Bolinas) | 5 Trunked | B, T, G | Leased Site |
| Burdell Mountain | 9 Trunked | | Leased Site |
| Civic Center Prime Site | | | County of Marin |
| County Civic Center | 9 Receive Only | | County of Marin |
| Dollar Hill | 9 Trunked | B, T, G | City of San Rafael |
| Forbes Hill | 9 Trunked | B, T, G | MMWD |
| Mill Valley City Hall | 9 Trunked | | City of Mill Valley |
| Mount Tamalpais | 6 Trunked | | Leased Site |
| Mount Tamalpais | 9 Receive Only | | Leased Site |
| Point Reyes Hill | 6 Trunked | | Leased Site |
| San Pedro Ridge | 9 Trunked | G | Leased Site |
| Sonoma Mountain | 5 Trunked | B, T, G | Leased Site |
| Mt. Tiburon | 9 Trunked | B, T, G | Authority |
| Mill Valley PSB | Microwave Only | | City of Mill Valley |

The System was purchased from and installed by Motorola, Inc. pursuant to an agreement executed on December 17, 1998 for a total purchase price of approximately $21.4 million. The table below provides an estimated breakdown of the component costs for the Project.

| Component | Estimated Cost (000's) |
|---|---|
| Backbone System | $11,500 |
| User Equipment | 8,137 |
| Fire Station Alerting Equipment | 613 |
| Communications Center Improvements | 1,547 |
| Project Development Costs | 318 |
| Miscellaneous | 450 |
| Total | $22,565 |

The System is complete and is functioning as originally designed. A project is underway to expand the number of trunked channels to accommodate an increase in the number of radio users above what was originally predicted. The System expansion is expected to be completed by mid-2010.

**Financial Information**

The Authority's financial statements for Fiscal Year 2008-09 are included as APPENDIX C to this Official Statement and should be read in their entirety. The following table presents the Authority's Statement of Revenues, Expenses and Changes in Fund Net Assets from the Authority's audited financial statements for Fiscal Years 2006-07, 2007-08 and 2008-09. See "FINANCIAL STATEMENT" herein.

**MARIN EMERGENCY RADIO AUTHORITY**
**STATEMENT OF REVENUES, EXPENSES AND**
**CHANGES IN FUND NET ASSETS**
**FY 2006-07 THROUGH 2007-09**

| | FY 2006-07 | FY 2007-08 | FY 2008-09 |
|---|---|---|---|
| Operating Revenues: | | | |
| Member operating payments | $1,499,300 | $1,716,928 | $1,646,999 |
| | | | |
| Operating Expenses: | | | |
| Contract services | 342,602 | 205,389 | 133,895 |
| County system maintenance | 613,989 | 925,936 | 613,486 |
| County technical services | -- | -- | 127,103 |
| County communication engineer | -- | -- | 166,667 |
| Site rentals and leases | 253,651 | 277,631 | 288,882 |
| Site utilities | 63,287 | 60,640 | 68,093 |
| Site maintenance | 11,324 | 5,484 | 20,840 |
| Insurance | 29,456 | 24,771 | 24,589 |
| Audit and accounting services | 12,600 | 14,836 | 21,150 |
| Legal services | 5,375 | 8,837 | 17,504 |
| Telephone | 3,630 | 3,317 | -- |
| Office supplies | 841 | 437 | -- |
| Miscellaneous expenses | 1,782 | 20 | 2,416 |
| Depreciation | 1,899,521 | 1,902,209 | 1,912,019 |
| Total operating expense | $3,238,058 | $3,429,507 | $3,396,644 |
| | | | |
| Operating income (loss) | $(1,738,758) | $(1,712,579) | $(1,749,645) |
| | | | |
| Non-operating Revenues (Expenses): | | | |
| Member service payments | $2,250,212 | $2,348,703 | $2,349,213 |
| Bolinas site reimbursement | 438,389 | -- | -- |
| Bodega Bay site reimbursement | 134,258 | -- | -- |
| Interest income | 283,573 | 321,180 | 236,830 |
| Miscellaneous income | -- | -- | 6,454 |
| Amortization of bond issuance costs | (15,125) | (15,125) | (15,125) |
| Interest expense | (1,123,798) | (1,133,147) | (1,087,769) |
| Total non-operating rev (exp) | $1,967,509 | $1,521,611 | $1,489,603 |
| | | | |
| Increase (Decrease) in Net Assets | $228,751 | $(190,968) | $(260,042) |
| Net assets, beginning of year | 5,577,152 | 5,805,903 | 5,614,934 |
| Net assets, end of year | $5,805,903 | $5,614,934 | $5,354,892 |

*Source: Marin Emergency Radio Authority audited financial statements for Fiscal Years 2006-07, 2007-08 and 2008-09.*

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds relating to the Bonds.

| | |
|---|---|
| **Sources:** | |
| Principal Amount of Bonds | |
| Original Issue Premium | |
| Reserve Fund for the 1999 Bonds | |
| Authority Contribution | |
| Total Sources | |
| **Uses:** | |
| Deposit to Escrow Fund | |
| Deposit to Project Fund | |
| Reserve Fund | |
| Underwriter's Discount | |
| Costs of Issuance[1] | |
| Other Uses[2] | |
| Total Uses | |

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(1) Includes certain legal, financing and printing costs.

(2) Includes the interest payment due on August 15, 2010 [and investments in a guaranteed investment contract].

## PLAN OF FINANCING AND REFUNDING

The proceeds of the Bonds and other available moneys will be used by the Authority to (i) refund the 1999 Bonds currently outstanding in the aggregate principal amount of $19,035,000 on February 15, 2010, which 1999 Bonds were issued to finance the acquisition and installation of a County-wide public safety and emergency radio system; (ii) finance additional capital improvements on the Project; (iii) fund the Reserve Fund for the Bonds, and (iv) pay costs of issuance relating to the Bonds.

## THE PARTICIPANTS

The Participants are described in the chart below. For additional information concerning the operations and finances of certain Participants, see APPENDIX B – "INFORMATION REGARDING THE OPERATIONS AND FINANCES OF CERTAIN PARTICIPANTS" and APPENDIX D – "EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF CERTAIN PARTICIPANTS." There are no "cross-collateralization" or "step-up" provisions under the Operating Agreement; individual Participants are not obligated to make up for any deficiency in the Service Payments of other Participants.

| **Participant**[1] | **Allocable Percentage of Aggregate Service Payments** | **Maximum Annual Service Payment** |
|---|---|---|
| City of Belvedere | 0.772% | |
| Bolinas Fire Protection District | 0.601 | |
| Town of Corte Madera | 1.575 | |
| Town of Fairfax | 2.010 | |
| Inverness Public Utility District | 0.565 | |
| Kentfield Fire Protection District | 0.679 | |
| City of Larkspur | 1.873 | |
| County of Marin | 35.151 | |
| Marin County Transit District | 1.180 | |
| Marin Municipal Water District | 0.957 | |
| Marinwood Community Services District | 0.856 | |
| City of Mill Valley | 4.271 | |
| City of Novato | 10.432 | |
| Novato Fire Protection District | 4.894 | |
| Town of Ross | 0.813 | |
| Ross Valley Fire Service | 1.614 | |
| Town of San Anselmo | 3.023 | |
| City of San Rafael | 16.913 | |
| City of Sausalito | 2.829 | |
| Southern Marin Fire Protection District | 1.657 | |
| Stinson Beach Fire Protection District | 0.615 | |
| Town of Tiburon | 1.849 | |
| Tiburon Fire Protection District | 1.090 | |
| Twin Cities Police Authority | 3.781 | |
| TOTAL | 100.000% | |

(1) Marin Community College District is a Member of the Authority and is entering into the Operating Agreement. However, it is not listed as a Participant as it has prepaid its Service Payments in advance with cash.

The Participants consist of the County and 23 local agencies (excluding Marin Community College District) located within the County. The table below provides a breakdown of the Participants by type of governmental entity.

| Type | No. of Participants |
|---|---|
| City/Town | 11 |
| Fire Protection District | 6 |
| County | 1 |
| Community Service District | 1 |
| Public Utility District | 1 |
| Municipal Water District | 1 |
| Transit District | 1 |
| Joint Powers Agencies | 2 |

Counties are political subdivisions of the State and are governed by elected boards of supervisors. Counties generally provide for the health, safety and welfare of their residents. County revenues are generally comprised of property and other taxes, aid from other government agencies, license, permit and use fees, and fines, forfeitures and penalties. A substantial portion of county revenues is derived from the State.

Cities are either general law cities, established under California statutes, or charter cities, established under the California Constitution and their voter approved charters. Cities generally provide for the health, safety and welfare of their residents. Cities are governed by elected city councils. City revenues are generally comprised of property taxes, other taxes, license, permit and use fees, and fines, forfeitures and penalties. Other taxes may include some or all of sales taxes, utility user taxes, business taxes, State motor vehicle license fees, transient occupancy taxes, State cigarette taxes, real property transfer taxes and other miscellaneous taxes.

Fire protection districts are special districts established under the California Health and Safety Code by a vote of the electorate. Fire protection districts may provide fire protection, rescue, emergency medical, hazardous material emergency response, ambulance and other services relating to the protection of lives and property. Fire districts are governed by boards of directors. Fire district revenues are generally comprised of some or all of property taxes, service fees, voter approved special taxes and assessments.

Community service districts are special districts established under the California Government Code by a vote of the electorate. Community service districts may provide a number of services, including supplying water, fire protection, recreation and collection, treatment and/or disposal of sewage, solid waste and storm water. Community service districts are governed by boards of directors. Community service district revenues are generally comprised of some or all of property taxes, service fees, voter approved special taxes and assessments.

Public utility districts are special districts established under the California Public Utilities Code by a vote of the electorate. Public utility districts may provide water, power and transportation services, the disposition of sewage or solid waste and a variety of other services. Public utility districts are governed by boards of directors. Public utility district revenues generally consist of some or all of property taxes, service fees, voter approved special taxes and assessments.

Municipal water districts are special districts established under the California Water Code by a vote of the electorate. Municipal water districts may provide water and reclaimed water service. Municipal water districts are governed by boards of directors. Municipal water district revenues generally consist of some or all of property taxes, service fees, voter approved special taxes and assessments.

Transit districts are special districts established under the California Public Utilities Code by a vote of the electorate. Transit districts may provide transit services. Transit districts are governed by boards of directors. Transit district revenues generally consist of some or all of property taxes, service fees, voter approved special taxes and assessments.

Joint powers agencies are authorities created by two or more public agencies to carry out common powers and certain statutory powers. Joint powers agencies are created without a vote of the electorate pursuant to agreement and under the authority of the California Government Code. Joint powers agencies are generally governed by a board of directors and have revenues as provided in their joint powers agreement.

## THE BONDS

The Bonds will be dated the date of delivery and will be payable in the years and amounts and bear interest at the respective rates set forth on the cover page hereof, which interest will be payable on February 15 and August 15 of each year, commencing August 15, 2010 (each, an "Interest Payment Date"). The Bonds will be delivered only 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 for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of $5,000 or any integral multiple thereof. See "Book-Entry Only System" below and APPENDIX G – "INFORMATION CONCERNING DTC AND THE BOOK-ENTRY SYSTEM" attached hereto.

### Book-Entry Only System

One fully-registered Bond will be issued for each maturity of the Bonds in the principal amount of the Bonds of such maturity. The Bonds will be registered in the name of Cede & Co. and will be deposited with DTC. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

There can be no assurance that DTC participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any prepayment or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See APPENDIX G – "INFORMATION CONCERNING DTC AND THE BOOK-ENTRY SYSTEM" hereto for additional information concerning DTC.

### Optional Redemption

The Bonds maturing on or before August 15, 20___, will be subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after August 15, 20___, will be subject to optional redemption on any date on or after August 15, 20___, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date, without a premium.

For purposes of the selection of Bonds for redemption, the Bonds will be selected for redemption among maturities by the Authority on such basis that the remaining Member Payments, together with other available Revenues, will be sufficient on a timely basis to pay debt service on the Bonds.

**Mandatory Sinking Fund Redemption**

The Term Bonds maturing on August 15, 20___ will be subject to mandatory redemption in part by lot, at a Redemption Price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on the August 15 in the respective years as set forth in the following table; *provided*, *however*, that if some but not all of the Term Bonds have been redeemed or have been purchased in lieu of redemption pursuant to the Indenture, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000 such that the resulting amount of principal of the Term Bonds subject to redemption on any date is not greater than the aggregate amount on deposit in the Principal Account relating to such payment.

| Redemption Date (August 15) | Principal Amount To Be Redeemed |
|---|---|
| † | |

† Maturity

**Extraordinary Casualty Redemption**

The Bonds will be subject to extraordinary redemption on any Interest Payment Date (but not in a total redemption amount of less than $5,000 in principal amount at any one time), upon notice as provided in the Indenture, as a whole or in part in integral multiples of $5,000, from funds received by the Authority pursuant to a casualty loss or governmental taking of the Project or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Indenture, in inverse order of maturities and by lot within a maturity, at a redemption price equal to the sum of the principal amount to be redeemed plus accrued interest accrued to the date fixed for redemption of the Bonds, without premium.

**Purchase in Lieu of Redemption**

In lieu, or partially in lieu, of such call and redemption, moneys of the Authority may be used to purchase Outstanding Bonds in the manner provided in the Indenture. Purchases of Outstanding Bonds may be made by the Authority prior to the selection of Bonds for redemption by the Trustee, at public or private sale as and when and at such prices as the Authority may in its discretion determine but only at prices (including brokerage or other expenses) of not more than par plus applicable accrued interest and redemption premiums, and any accrued interest payable upon the purchase of Bonds may be paid from the amount in the Revenue Fund for payment of interest on the following Interest Payment Date.

**Notice of Redemption**

Pursuant to the Indenture, the Trustee is required to give notice (the "Redemption Notice"), at the expense of the Authority, of the redemption of the Bonds. Such Redemption Notice will specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed; (b) the date of redemption; (c) the place or places where the redemption will be made, including the name and address of any paying agent; (d) the redemption price; (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed; (f) if less than all the Bonds of a maturity are to be redeemed, the certificate numbers of the Bonds to be redeemed and, in the case of any Bond to be redeemed in part only, the amount of such Bond to be redeemed; and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. The Redemption Notice must also state that on the specified date there will become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date, and that from and after such date interest with respect to the Bond to be redeemed will cease to accrue and be payable. A Redemption Notice in respect of optional or extraordinary casualty redemption will not be provided unless there has been deposited with the Trustee funds sufficient to pay such redemption price (except in the case of redemption resulting from the issuance of refunding obligations).

At least 30, but not more than 45, days prior to the redemption date or immediately upon receipt of Net Proceeds from insurance or condemnation awards which are to be used to redeem Bonds, the Trustee will cause Redemption Notices to be given to the respective Owners of Bonds designated for redemption by first class mail, postage redeemed, at their addresses appearing on the Bond Register maintained by the Trustee. Neither failure to receive any Redemption Notice nor any defect in such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of such Bonds.

The Authority has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption will be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Authority and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements for the Bonds.

| Period Ending August 15, | Principal | Interest | Total |
|---|---|---|---|
| 2010 | | | |
| 2011 | | | |
| 2012 | | | |
| 2013 | | | |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| **Total** | | | |

SECURITY FOR THE BONDS

**Security under the Indenture**

Under the Indenture, subject only to certain specified exceptions, all of the Revenues received by the Authority and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture are pledged by the Authority to secure the payments of the principal of and interest on the Bonds. "Revenues" are defined under the Indenture as (a) all Service Payments and certain other amounts received by the Authority pursuant to the Operating Agreement, including the proceeds of any business interruption insurance, and (b) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture. The Indenture states that this pledge constitutes a first lien on and security interest in such assets and that it will attach, be perfected and be valid and binding from and after delivery of the Bonds by the Trustee, upon the physical delivery thereof.

The Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues. The Trustee is entitled to and will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority and will forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment, to enforce, either jointly with the Authority or separately, all of the rights of the Authority with respect to the Operating Agreement, including, but not limited to, the obligations of the Participants to pay the Service Payments and to perform all other covenants under the Operating Agreement.

To the extent the Trustee has not received a Service Payment from a Participant on the applicable Due Date (*i.e.*, August 1 of each year), and to the extent the Authority has notified the Trustee that the Authority has not received an Operating Payment from a Participant on the applicable Due Date, the

Trustee will notify the County in writing by September 1 of the amount of such deficiency. Upon receipt from the County of any payments withheld by the County out of tax revenues of a Participant pursuant to the Operating Agreement, the Trustee will deposit such amounts in the Revenue Fund. See "Operating Agreement – Property Tax Revenue Intercept Mechanism" below.

All Revenues are required to be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund." The Trustee is required to transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee is required to establish and maintain in trust), the following amounts at the following times in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) On each Interest Payment Date or redemption date, the Trustee will deposit in the Interest Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make any payment of interest on the Bonds. The Trustee will also deposit in the Interest Account any other moneys received by it from the Authority and designated in writing by the Authority for deposit in the Interest Account.

(b) On August 15 of each year the Trustee will deposit in the Principal Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal then coming due and payable on the Bonds, including the aggregate principal amount of the Term Bonds which are subject to mandatory sinking fund redemption.

**Parity Bonds and Subordinate Bonds**

Generally, the Authority may issue additional bonds secured by Revenues on a parity with the Bonds ("Parity Bonds"), so long as the Participants enter into an amendment to the Operating Agreement to provide for additional service payments equal to the debt service on such Parity Bonds.

Generally, the Authority may issue additional bonds subordinate to the Bonds (the "Subordinate Bonds"), so long as the Participants enter into an amendment to the Operating Agreement to provide for additional service payments equal to the debt service on such Subordinate Bonds.

**Reserve Fund**

Under the Indenture, the Trustee is to establish, maintain and hold in trust a separate fund designated as the Reserve Fund. The amount on deposit in the Reserve Fund is required to be maintained in an amount at least equal to the Reserve Requirement. "Reserve Requirement" is defined under the Indenture to mean, as of any date of calculation, the lesser of (i) 10% of the principal amount of the Bonds Outstanding, (ii) an amount equal to maximum annual Debt Service payable by the Authority between the date of such calculation and the final maturity of the Bonds, or (iii) 125% of average annual Debt Service. Under the Operating Agreement, Participants will only be obligated to replenish draws on the Reserve Fund due to a delinquent payment relating to such Participant. Except for withdrawals of earnings, all moneys in the Reserve Fund is required to be used by the Trustee solely for the purpose of making the payments of principal and interest on the Bonds in the event that amounts on deposit in the Revenue Fund are insufficient for such purposes.

**Replacement Fund**

The Authority will maintain and hold a separate fund to be known as the "Replacement Fund." The Authority will deposit Revenues remaining after paying debt service on the Bonds and replenishing the Reserve Fund, and Operating Payments remaining after payment of all Operating Costs for the Fiscal Year, if any, in the Replacement Fund until the amount on deposit therein is at least equal to an amount reasonably determined by the Authority to be sufficient for such Fund and thereafter such amounts as the Authority determines from time to time. The Authority may withdraw amounts from the Replacement Fund for use in repairing, improving or replacing the Project or any component thereof; provided, that in the event any Service Payment is abated as provided herein, amounts on deposit in the Replacement Fund will only be used for transfer to the Trustee in an amount equal to such abated Service Payments, until such time as the abatement is discontinued.

**Proceeds of Insurance and Condemnation**

The Trustee is authorized to establish when required a separate fund to be designated the "Insurance and Condemnation Fund." All Net Proceeds of insurance or eminent domain proceedings with respect to the Project which are received by the Authority will be transferred to the Trustee and deposited in the Insurance and Condemnation Fund.

***Application of Proceeds of Insurance***. The Net Proceeds of any insurance or award paid with respect to the Project resulting from any damage or destruction to the Project are required to be deposited with the Trustee in the Insurance and Condemnation Fund. Within 60 days of such deposit, the Authority will certify in writing to the Trustee (i) as to whether the Project has been damaged or destroyed in whole or in part, (ii) as to whether Net Proceeds are to be utilized for the repair, replacement or improvement of all or specified components (the "Repairable Components") of the damaged or destroyed portion of the Project and, if so, that sufficient funds, together with the Net Proceeds related to the Repairable Components, have been appropriated by the Authority or the Participants to pay the total costs of such repair, replacement or improvement, and (iii) as to whether repair, replacement or improvement of all or specified components (the "Unrepairable Components") of the damaged or destroyed portion of the Project is not economically feasible or in the best interest of the Authority; provided that if the Project has been damaged or destroyed in whole, the Authority is not permitted to certify that repair, replacement or improvement of all of the Project is not economically feasible or in the best interest of the Authority unless the Net Proceeds, together with funds then on hand in the Project Fund, Revenue Fund, Replacement Fund, and Reserve Fund, are sufficient to prepay all of the payments of Debt Service. If such certification is to the effect that Net Proceeds are to be utilized for the repair, replacement or improvement of Repairable Components and that sufficient funds, together with the Net Proceeds related to such Repairable Components, have been appropriated to pay the total cost of such repair, replacement or improvement, the Trustee will disburse, pursuant to a Written Request of the Authority the Net Proceeds related to the Repairable Components to the Authority in order for the Authority to cause the Repairable Components to be repaired, replaced or improved to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished with said Net Proceeds, and the Trustee will transfer any amounts indicated by the Authority in writing to be excess Net Proceeds related to the Repairable Components to the Revenue Fund to be credited against the next payment of Debt Service. If such certification is also, or alternatively, as the case may be, to the effect that repair, replacement or improvement of the Unrepairable Components is not economically feasible or in the best interest of the Authority, the Trustee will transfer the Net Proceeds related to the Unrepairable Components to be applied to the redemption of Bonds.

***Application of Net Proceeds of Condemnation Award***. If any part of the Project is taken by eminent domain proceedings, the Net Proceeds therefrom are required to be deposited in the Insurance and Condemnation Fund. Within 60 days of such deposit the Authority will certify in writing to the Trustee (A) as to whether the Project has been taken in whole or in part pursuant to such proceedings, (B) as to whether the remaining portion of the Project is still useful for the purposes originally intended, and (C) as to whether it desires that any available Net Proceeds from such eminent domain proceedings be applied for repair or replacement of the Project and, if so, that sufficient funds, together with such Net Proceeds, have been appropriated by the Authority or the Participants to pay the total cost of such repair and replacement. If such certification is to the effect that the Project has been taken in whole pursuant to such eminent domain proceedings or has been taken in part to such extent that the remaining portion of the Project is no longer useful for the purposes originally intended, the Trustee will transfer all of such Net Proceeds to be applied to the redemption of Bonds. If such certification is to the effect that the Project has been taken in part pursuant to such eminent domain proceedings and that the remaining portion of the Project is still useful for the purposes originally intended, the Trustee will transfer such Net Proceeds to be applied to the redemption of Bonds; provided that, if such certification is also to the effect that the Authority desires that any available Net Proceeds be applied for repair or replacement of the Project, and that sufficient funds, together with such Net Proceeds, have been appropriated to pay the total cost of such repair and replacement, the Trustee will disburse such Net Proceeds to the Authority pursuant to a Written Request of the Authority, in order for the Authority to cause the Project to be repaired, replaced or improved to at least the same good order, repair and condition as it was in prior to the eminent domain proceedings, insofar as the same may be accomplished with said Net Proceeds, and the Trustee will transfer any amounts indicated by such Authority in writing to be excess Net Proceeds to the Revenue Fund to be credited against the next payment of Debt Service.

**Operating Agreement**

***General***. Revenues of the Authority pledged under the Indenture consist primarily of the Service Payments to be made by the Participants to the Authority under the Operating Agreement. As consideration for the emergency radio service to be provided by the Authority (the "Radio Service"), each of the Participants covenants under the Operating Agreement to pay Service Payments and also to pay Operating Payments in amounts required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with providing the Radio Service, including without limitation, the fees, costs and expenses and all administrative costs of the Authority.

For information regarding certain Participants, including financial information, see APPENDIX B – "INFORMATION REGARDING THE OPERATIONS AND FINANCES OF CERTAIN PARTICIPANTS" and APPENDIX D – "EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF CERTAIN PARTICIPANTS" attached hereto. See also "RISK FACTORS" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, CHARGES AND APPROPRIATIONS" herein. **The Participants have not pledged their full faith and credit to the payment of Service Payments.**

***Service Payments***. The Service Payments securing the Bonds are payable by the Participants under the Operating Agreement. Under the Operating Agreement, Service Payments are paid by the Participants in each service payment period for and in consideration of the Radio Service during each such period. The Service Payments are payable from legally available funds of the Participants in consideration of Radio Service to be provided by the Authority. Service Payments will be subject to abatement in the event of a material failure to receive Radio Service. There are no "cross-collateralization" or "step-up" provisions under the Operating Agreement; individual Participants are not obligated to make up for any deficiency in the Service Payments of other Participants.

The Service Payments for Radio Service during each Fiscal Year will be due from each Participant on August 1 of such Fiscal Year. The Service Payments will be held by the Trustee in the

Revenue Fund prior to deposit in the Interest and Principal Accounts. Prior to deposit in the Interest and Principal Accounts, Service Payments on deposit with the Trustee which are allocable to Radio Service not yet received will continue to be subject to abatement. See "Abatement" below and "RISK FACTORS – Abatement" herein.

***Covenant to Budget and Appropriate***. Pursuant to the Operating Agreement, each Participant covenants to take such action as may be necessary to include Service Payments due in its annual budgets and to make the necessary annual appropriations for all such payments. The Operating Agreement provides that covenants are deemed to be duties imposed by law, and that it is the duty of each and every public official of each Participant to take such action and do such things as are required bylaw in the performance of the official duty of such officials to enable the Participant to carry out and perform such covenants.

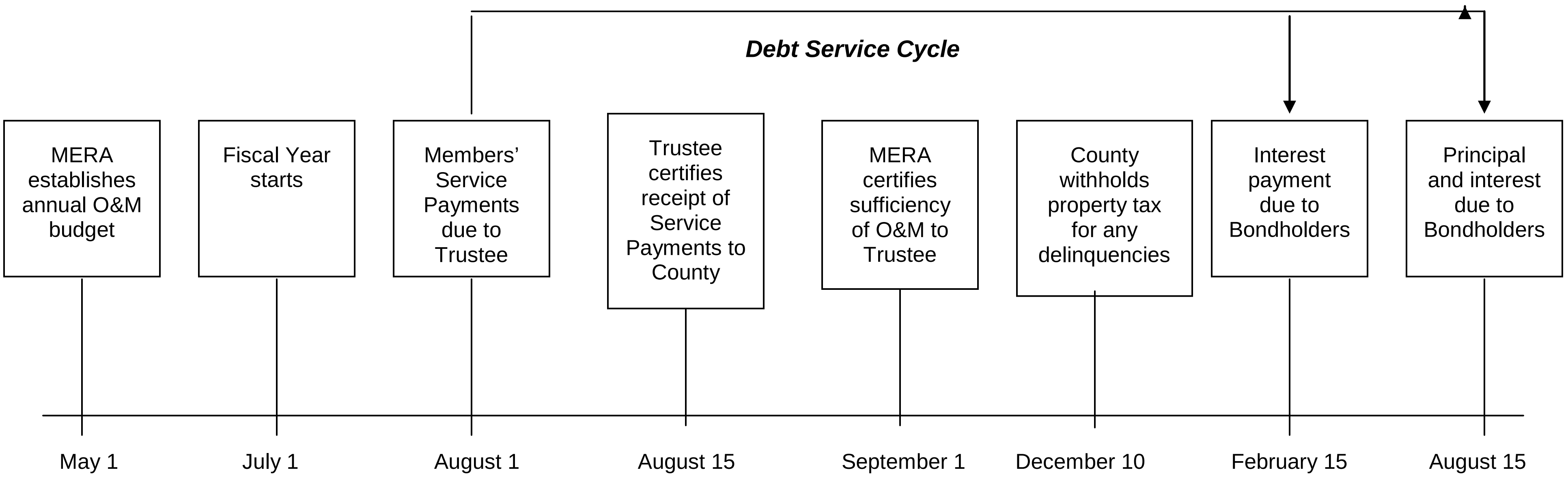
***Property Tax Revenue Intercept Mechanism***. Each Participant (other than the County) has elected to further secure the payment of its Service Payments under the Operating Agreement by providing a mechanism by which the County will make such Service Payments directly to the Trustee from property tax revenues (the "Property Tax Revenues") to which the Participant is entitled pursuant to of the California Revenue and Taxation Code to the extent the Participant has failed to make such payment from any available source (other than from the Reserve Fund for the Bonds). For information on the amount of Property Tax Revenues received by the Participants, see APPENDIX B – "INFORMATION REGARDING THE OPERATIONS AND FINANCES OF CERTAIN PARTICIPANTS." In the case of Participants which are Joint Powers Agencies, the Property Tax Revenues of the members of the joint powers agency are subject to the intercept mechanism.

If a Participant does not make a Service Payment as required under the Operating Agreement, prior to using amounts on deposit in the Reserve Fund, as described herein, the Trustee is required to notify the County immediately and to request from the County the amount by which the Service Payment due exceeds the amount available for such payment. The County is required to make such apportionment to the Trustee from legally available Property Tax Revenues to which such Participant is entitled at that time and will thereupon reduce, by the amount so transferred, the subsequent allocation or allocations to which the Participant would otherwise be entitled.

While this payment mechanism is intended to facilitate the timely payment by the Participants of Service Payments, it does not obligate the Participants or the County to make any payment under any circumstances in which a Participant is no longer obligated to make the Service Payments, such as the abatement of Service Payments by reason of a material failure to receive Radio Service. See "Abatement" below and "RISK FACTORS – Abatement" herein.

The manner in which real property tax revenues are allocated under the Revenue and Taxation Code may be modified by the State legislature in its discretion, and such modification may reduce or eliminate real property tax revenues allocated to the Participants. Accordingly, there can be no assurance that real property tax revenues will be sufficient to make the scheduled Service Payments. However, so long as there is no situation which would cause a Participant to be no longer obligated to make Service Payments, such Participant will remain obligated to make such Service Payments and from any and all legally available funds.

**CYCLE OF EVENTS RELATING TO PARTICIPANT PAYMENTS UNDER THE OPERATING AGREEMENT**



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***Other Covenants under Operating Agreement***. Under the Operating Agreement, the Authority agrees to maintain and preserve the Project in good repair and working order at all times and to operate the Project in an efficient and economical manner, and agrees to pay all maintenance and operation costs of the Project as they become due and payable pursuant to the Operating Agreement. The Authority agrees to use its best efforts to employ, or cause to be employed, sufficient staff to maintain and operate the Project. The Authority agrees not to permit any part of the Project to be used, or taken advantage of, free of charge by any person, firm or corporation, or by any public agency (including the United States of America, the State of California and any public corporation, political subdivision, city, county, district or agency of any thereof) in any manner which materially adversely affects the Revenues.

The Participants covenant to purchase any replacement or additional components to be used in conjunction with the service provided by the Project from the Authority, or in conformity with such specifications as the Authority may, from time to time, prescribe. The Participants agree not to use the service provided by the Project with any equipment which is not authorized by the Authority. The Participants covenant not to use the Project in any manner which may adversely affect the service provided by the Project.

***Insurance***. The Project is insured to the extent set forth in the Operating Agreement. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Operating Agreement" herein. The Operating Agreement requires the Authority to procure and maintain, or cause to be procured and maintained, casualty insurance against loss or damage to the Project, in an amount at least equal to the then Outstanding principal amount of the Bonds. Such insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot aircraft, vehicle damage, smoke, fire, lightning, vandalism, malicious mischief and such other hazards as are normally covered by such insurance with extended coverage. Such insurance will not cover loss or damage by seismic activity.

The Operating Agreement requires the Authority to maintain or cause to be maintained a standard comprehensive general insurance policy or policies in protection of the Authority, the Participants, and their respective members, officers, agents, employees, designated volunteers and assigns. Said policy and policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Project. Such policy or policies will provide coverage in such liability limits and be subject to such deductibles as the Authority deems adequate and prudent.

The Operating Agreement requires the Authority to procure and maintain, or caused to be procured and maintained, workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof, such insurance to cover all persons employed by the Authority in connection with the operation of the Project; provided that such insurance may be effected under a legal self-insurance program.

The Operating Agreement requires the Authority to procure and maintain, or caused to be procured and maintained, throughout the term of this Operating Agreement, business interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Project and the service provided thereby as a result of any of the hazards covered in the insurance described above in an amount at least equal to the maximum Debt Service coming due and payable in any two consecutive years. The Net Proceeds of such insurance, if any, will be paid to the Trustee and deposited in the Revenue Fund, and will be credited towards the Member Payments allocable to the insured improvements as the same become due and payable.

***Abatement***. Service Payments are paid by the Participants in each service payment period for and in consideration of the Radio Service during each such period for which said rental is to be paid. Service Payments will be abated during any period in which there is a material failure to receive Radio Service. The amount of such abatement will be an amount agreed upon by each Participant and the Authority such that the resulting Service Payments represent fair consideration for the Radio Service received. Notwithstanding the foregoing, there will be no abatement of Service Payments to the extent that the proceeds of business interruption insurance or amounts in the Revenue Fund, the Replacement Fund, the Bond Fund or the Reserve Fund are available to pay Service Payments which would otherwise be abated. The Authority covenants to use its best efforts to promptly repair the Project so that Radio Service is restored. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Operating Agreement" attached hereto.

***Default and Remedies***. Upon an Event of Default described below, the defaulting Participant will be deemed to be in default under the Operating Agreement and the Authority may exercise any and all remedies available pursuant to law or granted pursuant to the Operating Agreement. Upon any such default, including a failure to pay Service Payments, the Authority generally may either (1) terminate the Operating Agreement with respect to the defaulting Participant and recover certain damages or (2) continue to collect Service Payments from the defaulting Participant on an annual basis by seeking a separate judgment each year for that year's defaulted Service Payments. **In the event of default, there is no remedy of the acceleration of the total Service Payments due over the term of the Operating Agreement.**

Events of Default under the Operating Agreement include generally (a) default in timely payment of the Service Payments by any Participant, (b) failure to observe any covenant under the Operating Agreement, subject to provisions for a cure period, and (c) a filing of bankruptcy or similar proceeding by any Participant.

**For a further description of the provisions of the Operating Agreement, including a description of certain covenants therein, see APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - OPERATING AGREEMENT" attached hereto. For a description of certain limitations to the enforcement of remedies under the Operating Agreement, see "RISK FACTORS – Limitations on Remedies and Bankruptcy" herein.**

## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, CHARGES AND APPROPRIATIONS

### Article XIIIA of the California Constitution

In 1978 California voters approved Proposition 13, adding Article XIIIA to the California Constitution. Article XIIIA was subsequently amended in 1986, as discussed below. Article XIIIA limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash" or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

In the general election of November 7, 1978, California voters approved an amendment to Article XIIIA commonly known as Proposition 8 ("Proposition 8"). Proposition 13 did not allow the assessor to reduce the assessed value of property whose value has declined while owned by the same taxpayer. Proposition 8, among other things, generally allows the assessor to reduce the value of a property that has been substantially damaged, destroyed, or whose value has been reduced by other factors such as economic conditions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a Participant continues as part of its allocation in future years.

**Article XIIIB of the California Constitution**

On October 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIIIB to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIIIB. The principal effect of Article XIIIB 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 and population. The initial version of Article XIIIB provided that the "base year" for establishing an appropriations limit was the 1978-79 fiscal year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in fiscal year 1990-91, each appropriations limit must be recalculated using the actual 198687 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIIIB include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIIIB permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIIIB provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIIIB provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

**Unitary Property**

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if countywide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, the valuation of which continues 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 methods 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.

**Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 218 (Article XIIIC) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of a Participant require a majority vote and taxes for specific purposes, even if deposited in such Participant's General Fund, require a two-thirds vote. Further, any general purpose tax which a Participant imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996.

Proposition 218 (Article XIIID) also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

Proposition 218 (Article XIIIC) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any Participant will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of such Participant's General Fund.

Each Participant has represented that in their opinion their fees, assessments and taxes are in compliance with Proposition 218.

**Proposition 62**

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIIIA of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988, and (g) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *City of Woodlake v. Logan*, 230 Cal.App.3d 1058 (1991) (the "Woodlake Case"), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62.

On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("*La Habra*"). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Each Participant has represented that in their opinion their fees, assessments and taxes are in compliance with Proposition 62.

## Future Initiatives

Article XIIIA, Article XIIIB, Proposition 218 and Proposition 62 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting Participant revenues.

# RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various issues. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.

## General

The payment of principal of and interest on the Bonds is secured solely by a pledge of the Revenues and certain funds under the Indenture. Revenues consist of Service Payments to be made by Participants. No assurance can be made that any Participant will have available moneys in an amount sufficient to pay the Service Payments scheduled to be made by such Participant.

## Abatement

Service Payments are paid by the Participants in each service payment period for and in consideration of the Radio Service during each such period for which said rental is to be paid. Service Payments will be abated during any period in which there is a material failure to receive Radio Service. The amount of such abatement will be an amount agreed upon by each Participant and the Authority such that the resulting Service Payments represent fair consideration for the Radio Service received. Notwithstanding the foregoing, there will be no abatement of Service Payments to the extent that the proceeds of business interruption insurance or amounts in the Revenue Fund, the Replacement Fund, the Bond Fund or the Reserve Fund are available to pay Service Payments which would otherwise be abated. The Authority covenants to use its best efforts to promptly repair the Project so that Radio Service is restored. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Operating Agreement" attached hereto.

The Project is a radio system designed and tested to operate with a minimum of mechanical problems. There can be no assurance, however, that construction or design defects or human error or other eventualities would not cause an interruption in Radio Service. The Authority has covenanted under the Operating Agreement to maintain the Project in good working order and to promptly repair any portion of the Project which breaks down. See "SECURITY FOR THE BONDS – Operating Agreement – Other Covenants Under Operating Agreement" herein.

## Earthquakes, Floods and Other Natural Disasters

The Project is a radio system designed to withstand earthquakes and floods. There can be no assurance, however, that earthquakes, floods or other natural disasters would not interrupt operation of the Project and/or result in unexpected, increased costs to the Participants. The Authority and many of the Participants are located in active seismic areas. The Authority and the Participants are not obligated under the Operating Agreement to have earthquake or flood insurance.

**Investment of Funds**

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture are to be invested by the Trustee solely in Defeasance Obligations or Permitted Investments, as directed in writing by the Authority two Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the Authority will determine. All Permitted Investments will be acquired subject to any limitations or requirements as may be established by the Written Request of the Authority filed with the Trustee. Amounts on deposit in any fund or account created pursuant to the Indenture will be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement, in accordance with such written directions as the Authority may from time to time provide to the Trustee. Amounts on deposit in the Reserve Fund must be invested by the Trustee, in accordance with written directions from the Authority, in Permitted Investments (i) having an average aggregate weighted term to maturity not greater than five (5) years, or (ii) of any maturity, but callable at par for any purpose required by the Indenture. Absent timely written direction from the Authority, the Trustee will invest any funds held by it in certain money market funds as specified under the definition of Permitted Investments in the Indenture. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" attached hereto for a summary of the definition of Authorized Investments. See excerpts from certain Participants' financial statements attached as APPENDIX D – "EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF CERTAIN PARTICIPANTS" for a summary of certain Participants' investments as of the date of such financial statements.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture (other than the Reserve Fund) will be deposited in the Revenue Fund. All interest, profits and other income received from the investment of moneys in the Reserve Fund will be retained in the Reserve Fund to the extent amounts on deposit therein are not at least equal to the Reserve Requirement, and thereafter will be transferred to the Revenue Fund. Permitted Investments acquired as an investment of moneys in any fund established under the Indenture will be credited to such fund.

All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or by the Participants could have a material adverse effect on the security of the Bonds.

**Limitations on Remedies and Bankruptcy**

The rights and remedies provided in the Indenture and the Operating Agreement may be limited by and are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as APPENDIX F), will be similarly qualified.

The enforcement of the remedies provided in the Operating Agreement and the Indenture could prove both expensive and time consuming. In the event of a default, the Trustee is not empowered to sell the Project in order to pay debt service on the Bonds. In addition, the rights and remedies provided in the Operating Agreement and Indenture may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. If a Participant were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Operating Agreement and from taking any steps to collect amounts due from the Participant under the Operating Agreement.

Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or the Authority or any Participant or any member of the Authority is pledged to the payment of the Bonds. The Bonds do not constitute a debt, liability or obligation of the State of California or any public agency thereof (other than the Authority payable solely from the Revenues) or any Participant or any member of the Authority, and neither the directors of the Authority nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. The Authority has no taxing power.

**State of California Financial Condition**

The State is experiencing significant financial and budgetary stress. Certain Participants receive a significant portion of funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by such Participants.

It has been reported that the State's monthly revenues in Fiscal Year 2009-10 continue to be below budgeted projections and that the State is likely to have deficits in Fiscal Years 2009-10, 2010-11 and beyond. The Authority and the Participants cannot predict the extent of the budgetary problems the State will encounter in this fiscal year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the Authority and the Participants cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on their finances and operations, or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the Authority and the Participants have no control.

**Economic Recession**

In recent years, the United States and California economies have been in a recession. A major factor in this recession has been a decline in real estate values. The national and California recessions and decline in real estate values have been experienced throughout the County.

Real estate market values have declined in recent years, while default and foreclosure rates have increased. As a result of increasing defaults and foreclosures on sub-prime and other loans and other factors, credit has become more difficult and more expensive to obtain, not only in the residential market, but also in the commercial, retail and industrial sectors. Unavailability of loans for the purchase and development of real property in the County may continue to adversely impact assessed values.

High foreclosure rates and lower assessed values have adversely impacted the County's property tax revenues, the credit crisis has resulted in reduced income from the County's investments, sluggish retail sales have resulted in lower sales tax revenues, and the State budget crisis has resulted in reduced funding to local governments, including the County. For Fiscal Year 2009-10, the County Assessor reduced the assessed value on a significant number of properties in the County. See APPENDIX B – "INFORMATION REGARDING THE OPERATIONS AND FINANCES OF CERTAIN PARTICIPANTS" attached hereto.

## LEGAL MATTERS

The legality and enforceability of the Bonds are subject to the approval of Nossaman LLP, Irvine, California, acting as Bond Counsel. The form of such legal opinion is attached hereto as APPENDIX F. Certain legal matters will be passed upon for the Authority by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. Certain legal matters will be passed upon by the counsel to the Authority and the counsels to each Participant.

## LITIGATION

The Authority will certify to the effect that, other than as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best knowledge of the Authority, threatened (i) in any way questioning the existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the related legal documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority to assign and pledge the Service Payments; (iii) which may result in any material adverse change relating to the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Each Participant will certify to the effect that, other than as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best knowledge of the Participant, threatened (i) in any way questioning the existence of the Participant or the titles of the officers of the Participant to their respective offices; (ii) in any way contesting or affecting the validity of the legal documents relating to the Bonds entered into by the Participant or the consummation of the transactions contemplated thereby, (iii) which may result in any material adverse change relating to the finances or operations of the Participant; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

## TAX MATTERS

### General

In the opinion of Nossaman LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Bonds received by the Owners of the Bonds (the "Interest Portion") is excludable from gross income for federal income tax purposes. In the further opinion of Bond Counsel, the Interest Portion is exempt from State of California personal income taxes. A copy of the proposed opinion of Bond Counsel is set forth in APPENDIX F hereto.

The Internal Revenue Code of 1986 (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority has covenanted to comply with certain restrictions designed to assure that the Interest Portion will not be includable in federal gross income. Failure to comply with these covenants may result in the Interest Portion being included in federal gross income, possibly from the date of execution and delivery of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of execution and delivery of the Bonds may affect the value of, or the tax status of the Interest Portion. Further, no assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the value of, or the tax status of the Interest Portion of, the Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is further of the opinion that the Interest Portion is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel observes, however, that the Interest Portion is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to obligations such as that represented by the Bonds, (ii) interest with respect to obligations such as those represented by the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to obligations such as those represented by the Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as those represented by the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount is disregarded.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as the Interest Portion on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Bond and the basis of such Bond acquired at such initial offering price by an initial purchaser of each such Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of such Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of such Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Bond based on the purchaser's yield to maturity in such Bonds, except that in the case of such a Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such a Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a Bond, and with respect to the state and local tax consequences of owning and disposing of such a Bond.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

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

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. There can be no assurance that future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax exempt status or market price of the Bonds.

**Internal Revenue Service Audit of Tax-Exempt Issues**

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

**Information Reporting and Backup Withholding**

Information reporting requirements will apply to interest (including original issue discount) paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest with respect to the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

## FINANCIAL STATEMENT

The basic financial statement of the Authority included as APPENDIX C to this Official Statement, have been audited by Maher Accountancy, independent certified public accountants. Maher Accountancy has not been requested to provide written consent to the inclusion of its report as APPENDIX C and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement. The audited financial statements, including the footnotes thereto, should be reviewed in their entirety.

## CONTINUING DISCLOSURE

The Authority has covenanted in a Continuing Disclosure Agreement for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data pertaining to the Authority and certain Participants by not later than March 31 following the end of the fiscal year (currently its fiscal year ends on June 30) (the "Annual Report"), commencing with the fiscal year ending June 30, 2010, and to provide notices of the occurrence of certain enumerated events, if material. [The County's audited financial statement for the fiscal year ending June 30, 2009 is expected to be available in May 2010. The Authority has agreed under the Continuing Disclosure Agreement to fil the County's audited financial statement with the MSRB when available.]

The Annual Report and the notices of material events will be filed by the Trustee as Dissemination Agent with the MSRB. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in APPENDIX H – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

The Authority and each Participant regularly prepares a variety of reports, including audits, budgets and related documents. Any interested person may obtain a copy of such reports, as available, from the Authority or such Participant.

## RATING

Standard & Poor's Ratings Service ("S&P") [is expected to assign / has assigned] the rating of "____" on the Bonds. Generally, rating agencies base their ratings on information and material furnished directly to them and on investigations, studies and assumptions made by them. The rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that the rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

## UNDERWRITING

The Bonds will be purchased by Stone & Youngberg LLC (the "Underwriter") pursuant to a Bond Purchase Contract, under which the Underwriter agrees to purchase all of the Bonds for an aggregate purchase price of $_______ (which represents the principal amount of the Bonds less Underwriter's discount of $_______).

The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said offering prices.

## MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

**MARIN EMERGENCY RADIO AUTHORITY**

______________________________________

Maureen Cassingham
Executive Officer

# APPENDIX A

## DEMOGRAPHIC INFORMATION REGARDING THE SERVICE AREA OF THE AUTHORITY

The following information concerns the service area of the Authority which, for all practical purposes, is coterminous with the County of Marin ("Marin" or the "County").

### Population

With an area of 606 square miles (including 201 square miles of public lands and 86 square miles of water/wetlands), and a January 1, 2009 population of approximately 258,600, Marin's population is one of the most stable in the Bay Area. The table below illustrates the relative increase in population in the County, the State of California and the nation since 2000.

**COUNTY OF MARIN, STATE OF CALIFORNIA AND UNITED STATES POPULATION**

| Year | County of Marin(1) | % Change | California(1) | % Change | United States(2) | % Change |
|---|---|---|---|---|---|---|
| 2000 | 247,289 | -- | 33,873,086 | -- | 281,421,906 | -- |
| 2001 | 248,879 | 0.64% | 34,430,970 | 1.65% | 285,039,803 | 1.29% |
| 2002 | 249,773 | 0.36 | 35,063,959 | 1.84 | 287,726,647 | 0.94 |
| 2003 | 250,402 | 0.25 | 35,652,700 | 1.68 | 290,210,914 | 0.86 |
| 2004 | 250,789 | 0.15 | 36,199,342 | 1.53 | 292,892,127 | 0.92 |
| 2005 | 251,586 | 0.32 | 36,676,931 | 1.32 | 295,560,549 | 0.91 |
| 2006 | 252,921 | 0.53 | 37,086,191 | 1.12 | 298,362,973 | 0.95 |
| 2007 | 254,527 | 0.63 | 37,472,074 | 1.04 | 301,290,332 | 0.98 |
| 2008 | 256,511 | 0.78 | 37,883,992 | 1.10 | 304,059,724 | 0.92 |
| 2009 | 258,618 | 0.82 | 38,292,687 | 1.08 | Not yet available | -- |

(1) Population shown as of January 1 of every year, except for 2000 which is shown as of April of that year.
(2) Population shown as of July 1 of every year, except for 2000 which is shown as of April of that year.
*Sources: California Department of Finance for information relating to the County and the State, and the United States Census Bureau for information relating to the United States.*

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**Employment**

The County's unemployment rate has consistently been one of the lowest in California, and continues to be among the lowest level of all Bay Area Counties at 8.1% as of October 2009, compared to the State unemployment level of 12.3% during the same month. The table below illustrates unemployment levels in the County compared to State and national unemployment levels for the past five years.

**COUNTY OF MARIN, STATE OF CALIFORNIA AND UNITED STATES**
**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
**ANNUAL AVERAGES**[1]

| Year | Area | Civilian Labor Force | Employment | Unemployment | Unemployment Rate |
|---|---|---|---|---|---|
| 2005 | County | 129,800 | 124,700 | 5,100 | 3.9% |
| | State | 17,629,200 | 16,671,900 | 957,200 | 5.4 |
| | United States | 149,320,000 | 141,730,000 | 7,591,000 | 5.1 |
| 2006 | County | 131,900 | 127,200 | 4,700 | 3.5 |
| | State | 17,821,100 | 16,948,400 | 872,700 | 4.9 |
| | United States | 151,428,000 | 144,427,000 | 7,001,000 | 4.6 |
| 2007 | County | 133,300 | 128,400 | 4,900 | 3.7 |
| | State | 18,078,000 | 17,108,700 | 969,300 | 5.4 |
| | United States | 153,124,000 | 146,047,000 | 7,078,000 | 4.6 |
| 2008 | County | 137,200 | 130,900 | 6,200 | 4.6 |
| | State | 18,391,800 | 17,059,600 | 1,332,300 | 7.2 |
| | United States | 154,287,000 | 145,362,000 | 8,924,000 | 5.8 |
| 2009[2] | County | 134,300 | 123,400 | 10,900 | 8.1 |
| | State | 18,356,400 | 16,104,900 | 2,251,400 | 12.3 |
| | United States | 153,975,000 | 138,275,000 | 15,700,000 | 10.2 |

(1) Not seasonally adjusted, except for October 2009 national figures.
(2) As of October 2009.
*Source: California Employment Development Department for County and State figures. United States Bureau of Labor Statistics for United States figures.*

## Personal Income

The County enjoys one of the highest levels of effective buying income in the Bay Area and in the entire United States. The table below compares the County of Marin per capita personal income income with that of the other Bay Area Counties.

**COUNTY OF MARIN AND BAY AREA COUNTIES**
PER CAPITA PERSONAL INCOME

| | **2003** | **2004** | **2005** | **2006** | **2007**[1] |
|---|---|---|---|---|---|
| County of Marin | $66,620 | $74,230 | $79,688 | $86,719 | $91,483 |
| Other Bay Area Counties: | | | | | |
| Alameda | 38,835 | 41,083 | 43,074 | 46,414 | 48,679 |
| Contra Costa | 44,661 | 47,797 | 50,097 | 53,571 | 55,580 |
| Napa | 38,923 | 42,025 | 45,045 | 47,866 | 51,218 |
| San Francisco | 52,800 | 56,366 | 61,961 | 66,944 | 71,342 |
| San Mateo | 52,405 | 56,788 | 61,678 | 67,279 | 71,753 |
| Santa Clara | 46,769 | 48,958 | 52,081 | 56,472 | 60,107 |
| Solano | 30,366 | 32,020 | 33,400 | 35,269 | 37,055 |
| Sonoma | 37,165 | 38,887 | 40,784 | 44,219 | 46,325 |
| California Average | 33,620 | 35,531 | 37,418 | 40,020 | 41,805 |
| U.S. Average | 32,284 | 33,899 | 35,447 | 37,728 | 39,430 |

(1) Most recent annual data available.
*Source: U.S. Department of Commerce, Bureau of Economic Analysis.*

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**Major Employers Within the County**

The table below demonstrates the scope and diversity of the County's 25 largest employers.

**COUNTY OF MARIN**
TWENTY FIVE LARGEST EMPLOYERS

| Employer Name | Location | Industry |
|---|---|---|
| **1,000 – 4,999 Employees** | | |
| Corrections Department | San Quentin | State Government – Correctional Institutions |
| Fireman's Fund Insurance Co. | Novato | Insurance |
| Marin General Hospital | Greenbrae | Hospitals |
| **500 – 999 Employees** | | |
| College of Marin | Kentfield | Schools – Universities & Colleges |
| Marin Community College | Kentfield | Schools – Universities & Colleges |
| Marin Cty Health & Human | San Rafael | County Government – Social / Human |
| Sonnen Motor Cars | San Rafael | Automobile Dealers – New Cars |
| **250 – 499 Employees** | | |
| Autodesk Inc. | San Rafael | Computer Software – Manufacturers |
| Cagwin & Dorward Landscape | Novato | Landscape Contractors |
| Kaiser Permanente Med. Ctr. | San Rafael | Hospitals |
| Kentfield Rehab. Hospital | Kentfield | Rehabilitation Services |
| Kitchen Works Inc. | San Rafael | Kitchen Cabinets & Equipment |
| Leon's BBQ Inc. | Mill Valley | Food Products – Retail |
| Macy's | Corte Madera | Department Stores |
| Marin Cty Sheriff's Dept. | San Rafael | Sheriff |
| Marin Group | Sausalito | Product Development & Marketing |
| Marin Independent Journal | Novato | Newspapers |
| MHN Inc. | San Rafael | Health Plans |
| Nordstrom | Corte Madera | Department Stores |
| Novato Community Hospital | Novato | Hospitals |
| Rowland Novato Comm. Hosp. | Novato | Hospitals |
| San Rafael Human Resources | San Rafael | Government Offices |
| Township Building Svc. Inc. | Novato | Janitor Service |
| Westamerica Bank | San Rafael | Banks |
| YMCA | San Rafael | Youth Organizations & Centers |

*Source: California Employment Development Department.*

**Employment by Industry**

Over the past several decades, the County has evolved from a bedroom community for San Francisco businesses to a more self-sufficient, diversified business community. The County has developed a community of small entrepreneur businesses that are service, professional, technical and scientific in operation. The table below illustrates the continued growth of the County's employment base and the contribution of the key economic sectors.

**COUNTY OF MARIN**
**WAGE AND SALARY EMPLOYMENT BY INDUSTRY**
**ANNUAL AVERAGE**

| | **2003** | **2004** | **2005** | **2006** | **2007**[1] |
|---|---|---|---|---|---|
| Industry Employment | | | | | |
| Total Farm | 600 | 700 | 600 | 700 | 500 |
| Total Nonfarm | 110,400 | 108,900 | 108,200 | 108,000 | 108,300 |
| Subtotal | 111,000 | 109,700 | 108,800 | 108,700 | 109,400 |
| Goods Producing | | | | | |
| Manufacturing | 3,100 | 2,600 | 2,500 | 2,400 | 2,100 |
| Other | 8,500 | 8,600 | 8,500 | 8,000 | 8,400 |
| Subtotal Goods Producing | 11,600 | 11,200 | 11,000 | 10,400 | 10,500 |
| Service Providing | | | | | |
| Trade, Transportation and Utilities | 20,300 | 19,200 | 18,800 | 18,300 | 18,500 |
| Information | 3,300 | 3,300 | 3,100 | 2,200 | 2,400 |
| Financial Activities | 9,700 | 9,400 | 9,300 | 9,200 | 8,900 |
| Professional and Business Services | 17,700 | 18,600 | 18,500 | 19,600 | 19,700 |
| Education and Health Services | 15,700 | 15,500 | 15,600 | 15,800 | 15,900 |
| Leisure and Hospitality | 12,700 | 12,700 | 12,600 | 12,700 | 13,100 |
| Other | 4,700 | 4,900 | 4,600 | 4,800 | 4,900 |
| Government | 14,800 | 14,400 | 14,700 | 15,000 | 15,000 |
| Subtotal Service Providing | 98,800 | 97,700 | 97,200 | 97,600 | 98,300 |

(1) Most recent annual data available.
*Source: California Employment Development Department.*

### Construction Activity

The level of construction activity in the County as measured by total building permit valuations and the annual unit total of new residential and nonresidential permits since 2004 are shown below.

**COUNTY OF MARIN**
**BUILDING PERMIT ACTIVITY**

| | 2004 | 2005 | 2006 | 2007 | 2008[1] |
|---|---|---|---|---|---|
| **Valuation (in thousands)** | | | | | |
| Residential | $420,679 | $326,433 | $242,107 | $279,504 | $220,551 |
| Non-residential | 93,663 | 76,122 | 95,262 | 112,538 | 202,478 |
| Total Valuation | $514,342 | $402,555 | $337,369 | $392,042 | $423,029 |
| **New Dwelling Units:** | | | | | |
| Single Family | 585 | 326 | 155 | 151 | 147 |
| Multiple Family | 442 | 150 | 51 | 10 | 25 |
| Total Units | 1,027 | 476 | 206 | 161 | 172 |

(1) Most recent annual data available.
*Source: Construction Industry Research Board.*

### Commercial Activity

The following table presents retail and total taxable transactions for the County from 2004 through 2008.

**COUNTY OF MARIN**
**TAXABLE TRANSACTIONS BY SECTOR**
**(Amount in Thousands)**

| | 2003 | 2004 | 2005 | 2006 | 2007[1] |
|---|---|---|---|---|---|
| Apparel Stores | $141,747 | $147,996 | $155,305 | $156,944 | $163,447 |
| General Merchandise Stores | 434,130 | 443,059 | 446,920 | 461,184 | 460,821 |
| Specialty Stores | 424,248 | 458,035 | 479,661 | 490,874 | --[2] |
| Food Stores | 189,380 | 188,711 | 195,817 | 201,870 | 209,609 |
| Eating and Drinking Places | 363,610 | 382,842 | 395,421 | 409,938 | 435,046 |
| Home Furnishings and Appliances | 187,580 | 199,625 | 209,690 | 202,529 | 199,860 |
| Building Materials | 295,622 | 336,812 | 337,508 | 338,773 | 329,500 |
| Automotive / Service Stations | 791,649 | 841,368 | 864,068 | 896,243 | 917,380 |
| Other Retail Stores | 72,788 | 75,895 | 81,353 | 86,441 | 585,804 |
| Total Retail Stores | 2,900,754 | $3,074,343 | $3,165,743 | $3,244,796 | $3,301,467 |
| Business and Personal Services | 194,952 | 186,793 | 191,287 | 180,523 | 184,488 |
| All Other Outlets | 795,594 | 792,379 | 814,414 | 859,945 | 911,226 |
| Total All Outlets[3] | $3,891,300 | $4,053,515 | $4,171,444 | $4,285,264 | $4,397,181 |

(1) Most recent annual data available.
(2) For 2007, Specialty Stores Group is included in All Other Retail Stores Group.
(3) Totals may not add up due to independent rounding.
*Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

**Education**

The number of public schools in the County are provided in the table below. For the 2008-09 academic year, approximately 29,550 students were enrolled in grades K through 12 in the public schools in the County.

**COUNTY OF MARIN**
**NUMBER OF PUBLIC SCHOOLS**
**(Academic Year 2008-09)**

| Level | No. of Schools |
|---|---|
| Elementary Schools (K-8) | 45 |
| Middle/Junior High Schools (6-8) | 11 |
| High Schools (9-12) | 9 |
| Continuation Schools | 2 |
| Alternative Education, Independent Study | 6 |
| Charter Schools | 2 |
| Total | 75 |

*Source: Marin County Office of Education.*

Community colleges in California are locally operated and administered. They offer Associate of Arts and Associate of Science degrees and have extensive vocational curricula. There is one community college district in Marin County, the Marin Community College, with an enrollment of approximately 9,000 credit and noncredit students at two campuses.

# APPENDIX B

## INFORMATION REGARDING THE OPERATIONS AND FINANCES OF CERTAIN PARTICIPANTS

This Appendix B provides certain information regarding the finances and operations of certain of the Participants. See Appendix A for excerpts of the financial statements of certain of the Participants.

## ASSESSED VALUES AND TAX REVENUES OF THE PARTICIPANTS

The following table summarizes net taxable values and the estimated tax revenues for the Participants for the fiscal year ended June 30, 2010.

### ASSESSED VALUES AND ESTIMATED AD VALOREM TAX REVENUES OF THE MERA PARTICIPANTS

| Participant[1] | FY 09-10 Secured Net Taxable Value[2] (000's) | FY 09-10 Unsecured Net Taxable Value[2] (000's) | Total Net Taxable Value (000's) | FY 09-10 Secured (Non-Unitary) Taxes | FY 09-10 Unsecured Taxes | FY 09-10 HOPTR[3] | FY 09-10 Unitary Taxes | Total |
|---|---|---|---|---|---|---|---|---|
| City of Belvedere | $1,535,628 | $18,486 | $1,554,114 | $3,104,648 | $74,105 | $21,970 | $9,100 | $3,209,823 |
| Bolinas FPD | 289,713 | 1,072 | 290,785 | 300,388 | 7,170 | 2,126 | 2,331 | 312,015 |
| Town of Corte Madera | 2,252,758 | 122,447 | 2,375,205 | 3,227,059 | 77,027 | 22,837 | 18,207 | 3,345,130 |
| Town of Fairfax | 1,081,162 | 7,243 | 1,088,405 | 1,969,605 | 47,013 | 13,940 | 12,354 | 2,042,912 |
| Inverness PUD | 211,882 | 681 | 212,563 | 286,424 | 6,837 | 2,027 | 2,285 | 297,573 |
| Kentfield FPD | 2,417,697 | 7,767 | 2,425,464 | 3,041,387 | 72,595 | 21,523 | 11,177 | 3,146,682 |
| City of Larkspur | 2,720,830 | 87,286 | 2,808,116 | 5,736,633 | 136,928 | 40,596 | 51,102 | 5,965,259 |
| County of Marin | 54,777,258 | 1,307,481 | 56,084,739 | 92,323,563 | 2,203,671 | 653,345 | 966,691 | 96,147,270 |
| Marin Cty. Transit Dist. | 54,777,258 | 1,307,481 | 56,084,739 | 2,817,699 | 67,256 | 19,940 | 23,011 | 2,927,906 |
| Marinwood CSD | 753,870 | 1,879 | 755,749 | 1,180,060 | 28,167 | 8,351 | 6,131 | 1,222,709 |
| City of Mill Valley | 3,908,326 | 49,587 | 3,957,913 | 10,102,889 | 241,146 | 71,494 | 73,354 | 10,488,883 |
| City of Novato | 8,346,217 | 230,837 | 8,577,054 | 5,572,532 | 133,011 | 39,435 | 57,505 | 5,802,483 |
| Novato FPD | 9,804,381 | 299,418 | 10,103,799 | 13,683,176 | 326,604 | 96,831 | 116,341 | 14,222,952 |
| Town of Ross | 1,342,274 | 1,495 | 1,343,769 | 2,488,559 | 59,399 | 17,611 | 8,844 | 2,574,413 |
| Town of San Anselmo | 2,360,484 | 22,537 | 2,383,021 | 5,062,898 | 120,846 | 35,828 | 26,632 | 5,246,204 |
| City of San Rafael | 9,647,482 | 397,366 | 10,044,848 | 10,440,413 | 249,203 | 73,883 | 162,060 | 10,925,559 |
| City of Sausalito | 2,504,931 | 147,362 | 2,652,293 | 5,261,798 | 125,594 | 37,236 | 35,371 | 5,459,999 |
| Southern Marin FPD | 4,893,343 | 37,418 | 4,930,761 | 6,735,681 | 160,774 | 47,666 | 24,955 | 6,969,076 |
| Stinson Beach FPD | 661,860 | 927 | 662,787 | 496,523 | 11,852 | 3,514 | 2,706 | 514,595 |
| Town of Tiburon | 3,877,179 | 21,004 | 3,898,183 | 2,834,759 | 67,663 | 20,061 | 12,993 | 2,935,476 |
| Tiburon FPD | 3,526,962 | 26,103 | 3,553,065 | 3,807,605 | 90,884 | 26,945 | 13,360 | 3,938,794 |

(1) Does not include Ross Valley Fire Protection Agency and the Twin Cities Police Authority, which are joint powers agencies. Also does not include Marin Municipal Water District, which does not receive any ad valorem property tax revenues.
(2) Net of exemptions, including homeowners' exemptions.
(3) HOPTR is homeowner's property tax reduction subventions received from the State of California.
*Source: County of Marin, Department of Finance.*

## THE COUNTY OF MARIN

### General

The County of Marin (the "County" or "Marin") was established in 1850 as one of California's original 27 counties. The County covers 606 square miles and has a population of 258,618 as of January 1, 2009. According to the California Department of Finance, the County's population increased by approximately 4.58% since April 2000. The County was long considered a bedroom community for San Francisco; however, Marin has evolved into a more diversified, service-oriented economic community with a significant number of "clean" industries, such as insurance, software development and tourism. According to the State Employment Development Department, as of October 2009, the County's unemployment rate was 8.1%, compared to the State unemployment rate for the same month of 12.3%.

The Radio Service is utilized by the County in connection with the following public safety and emergency services: police and fire protection services, public works activities including provision and maintenance of public parks and flood control services.

### County Management

A key element of the County's fiscal stability is the experience and continuity of its management team. Brief resumes of the key County managers follow below.

***Matthew H. Hymel, County Administrator.*** Mr. Hymel was appointed County Administrator on June 30, 2005. Prior to this appointment, Mr. Hymel had been the Chief Assistant County Administrator since 2002. From 1996 to 2002 Mr. Hymel served as the Mayor's Budget Director, Chief Assistant Controller, and Revenue and Budget Manager for the City and County of San Francisco. He holds a degree in Economics and a Master of Public Policy from Harvard University, Kennedy School of Government. Mr. Hymel is a member of the Marin Managers Association and serves on the Board of Directors of the County Administrative Officers Association of California.

***Michael J. Smith, Treasurer–Tax Collector–Public Administrator.*** Mr. Smith was appointed Treasurer-Tax Collector-Public Administrator unanimously by the Board of Supervisors in February 1994 and was elected to the position in June 1994. He was most recently elected in June 2006. He is a thirty year veteran of the office and was the Assistant Treasurer-Tax Collector since 1981. Mr. Smith is directly responsible for County, Schools and District Public funds totaling over $750 million. His office is also responsible for the annual collection of over $800 million in taxes and revenues. He holds a graduate degree in Accounting and an M.B.A. from Golden Gate University. He serves on the Board of Directors for the California Treasurer-Tax Collectors Association and is currently a board member of two community service organizations.

***Mark J. Walsh, Director of Finance.*** Mr. Walsh was appointed Director of Finance in September 2009. Prior to his appointment, Mr. Walsh had been the Director of Information Systems in Sonoma County and a past Assistant Auditor-Controller for Sonoma County under Auditor-Controller, Rod Dole. Mr. Walsh has extensive government experienceand has a background in retirement operations, currently sitting on the Sonoma County Employees' Retirement Association (SCERA) Board.

***Patrick K. Faulkner, County Counsel.*** Mr. Faulkner was appointed County Counsel in July 1997. Prior to his appointment, Mr. Faulkner had been the Principal Deputy Counsel since 1993 and prior to that, Deputy Counsel. He has been in public law since 1980. A resident of Marin County for nearly 28 years, he has also been involved in many community organizations.

**Board of Supervisors**

The five members of the County's Board of supervisors serve as the legislative and executive body of the County. The members are elected by district and are required to be residents of the district they represent. Supervisors serve a four-year term, and two or three supervisors are elected every two years. The current members of the Board of Supervisors are:

| | |
|---|---|
| Harold C. Brown, Jr. | President |
| Judy Arnold | Vice President |
| Susan L. Adams | Second Vice President |
| Steve Kinsey | Member |
| Charles McGlashan | Member |

**Largest Taxpayers**

The twenty largest taxpayers in the County, as shown by parcel on the fiscal year 2009-10 secured tax roll, and the approximate amounts of secured levy charges are shown below.

**COUNTY OF MARIN**
LARGEST SECURED PROPERTY TAXPAYERS
FISCAL YEAR 2009-10

| Rank | Property Owner | Total Tax Charge | Net Tax Value |
|---|---|---|---|
| 1 | Pacific Gas & Electric Co. | $3,407,865.90 | $245,860,032 |
| 2 | Corte Madera Village LLC | 1,618,318.14 | 126,606,478 |
| 3 | Skywalker Properties Ltd. | 1,257,532.40 | 113,835,091 |
| 4 | Novato FF Property LLC | 1,230,890.18 | 102,999,600 |
| 5 | Novato FF Property LLC | 1,088,954.68 | 91,555,200 |
| 6 | JCC Cal Properties LLC | 1,031,251.00 | 30,236,952 |
| 7 | Skywalker Properties Ltd. | 1,024,510.12 | 96,369,274 |
| 8 | Novato FF Property LLC | 972,084.92 | 81,151,200 |
| 9 | Pacific Bell Telephone Co. | 850,016.50 | 61,324,328 |
| 10 | Western Larkspur LLC | 849,167.18 | 65,252,695 |
| 11 | Northgate Mall Association | 820,007.30 | 64,395,784 |
| 12 | JCC Cal Properties LLC | 804,066.82 | 23,903,949 |
| 13 | Biomarin Pharmaceutical Inc. | 773,848.12 | 64,596,200 |
| 14 | Costco Wholesale Corporation | 709,141.22 | 18,276,853 |
| 15 | Tracey Cove Ltd. Partnership, et. al. | 691,017.10 | 54,348,935 |
| 16 | 770 Tamalpais Dr. Inc. | 636,558.70 | 43,741,043 |
| 17 | Hines San Rafael LLC | 609,998.12 | 52,775,800 |
| 18 | SPK-Drakes Landing Office Park LLC | 565,370.38 | 46,287,396 |
| 19 | Tishman Speyer Archstone-Smith Sausa | 554,377.98 | 41,607,383 |
| 20 | Bay Apartment Communities Inc. | 524,051.24 | 35,115,300 |

*Source: County of Marin Treasurer-Tax Collector's Office.*

## Ad Valorem Property Taxation

Taxes are levied for each fiscal year on taxable real and personal property that is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10 respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Treasurer-Tax Collector's power of sale and may be subsequently sold by the County Treasurer-Tax Collector. Legislation established the "supplemental roll" in 1984 which directs the Assessor to reassess real property, at market value, on the date the property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered. Billings are made on a monthly basis and due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent.

As illustrated by the following table, the major factor contributing to the steady rise in assessed valuation in the County is the transfer of existing property and consequent reassessment at full cash value. A lesser portion of the County's substantial growth in assessed valuation is attributable to new construction.

**COUNTY OF MARIN**
CHANGE IN PRIOR YEAR ASSESSED VALUATION

| Fiscal Year | Full Cash Value | Prior Year Change | Property Sold/Transfer | New Construction | Inflation | Other |
|---|---|---|---|---|---|---|
| 2004-05 | $42,775,472,792 | $2,806,319,066 | $1,675,563,023 | $460,968,931 | $579,513,224 | $90,273,888 |
| 2005-06 | 46,534,788,002 | 3,759,315,210 | 2,283,483,244 | 574,352,801 | 673,628,176 | 227,850,989 |
| 2006-07 | 50,474,212,331 | 3,939,424,329 | 2,443,474,791 | 577,615,884 | 741,912,325 | 176,421,329 |
| 2007-08 | 53,851,204,144 | 3,376,991,813 | 1,780,828,522 | 640,592,240 | 830,833,290 | 124,737,761 |
| 2008-09 | 56,950,709,774 | 3,099,505,630 | 1,657,530,255 | 561,787,609 | 860,664,602 | 19,523,164 |
| 2009-10 | | | | | | |

*Source: County of Marin, Assessor's Office.*

Pursuant to Proposition 8, the County Assessor may reduce the assessed values of up to 12,000 properties (representing approximately 16.0% of the County's 75,000 parcels) for the fiscal year 2009-10 assessment roll, compared to 3,000 reassessments made last year. Notwithstanding the reductions, the County is projecting a 2.0% property tax growth rate for fiscal year 2009-10. In prior years, the County has experienced an annual growth rate of 7.0% to 9.0%. The reassessed properties would include a portion of 2,000 reassessment requests received by the County as of June 2009.

**The Teeter Plan**

The Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan 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 related interest and proceeds from the sales of tax-defaulted properties (which can be sold after five years of delinquency). In addition to avoiding a complex tax redemption distribution system for all taxing agencies, the Teeter Plan provides the County with a new income stream generated from the payment of penalties and interest. As of July 1, 2009, the total prior and current years' delinquent property taxes and assessments outstanding were $28,995,217.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal year the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may, by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any tax levying or assessment levying agency if the rate of the secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls for that agency.

In order to finance the outstanding tax receivables at the end of any given year, the County General Fund enters into an agreement with the County Treasurer to internally finance the outstanding tax receivables with the overall funds within the County treasury. This is evidenced by a signed note. Repayment to the Treasurer's pool is accomplished upon receipt of the proceeds of Tax and Revenue Anticipation Certificates generally issued in the beginning of the following fiscal year.

**Property Value and Tax Collections**

While the collection of tax delinquencies and penalties has created a significant and reliable source of income for the County, the delinquent taxes and assessments themselves make up only a minor proportion of the County's total secured tax roll. As noted in the chart below, over the past five years, between 1.13% and 3.04% of the Final Secured Tax Roll was delinquent each year.

**COUNTY OF MARIN**
PROPERTY VALUE AND TAX COLLECTIONS
FOR FISCAL YEARS 2004-05 THROUGH 2008-09

| Fiscal Year | Full Cash Value | General Fund Property Tax Levies | General Property Tax Collections | Delinquencies |
|---|---|---|---|---|
| 2004-05 | $42,775,472,792 | $71,245,594 | $70,440,519 | 1.13% |
| 2005-06 | 46,534,788,002 | 77,503,653 | 76,465,104 | 1.34 |
| 2006-07 | 50,474,212,331 | 83,999,471 | 82,504,280 | 1.78 |
| 2007-08 | 53,851,204,144 | 89,644,343 | 87,439,092 | 2.46 |
| 2008-09 | 56,950,709,774 | 94,791,614 | 91,909,949 | 3.04 |

*Source: County of Marin, Auditor-Controller's Office.*

**County Retirement Programs**

The County's retirement plan is administered by the Board of Retirement of the Marin County Employees' Retirement Association ("MCERA"), a multiple-employer retirement system governed by the 1937 Act of the California Government Code. The plan covers employees eligible for membership and provides retirement, disability, death and survivor benefits based upon specified percentages of final compensation as well as annual cost-of-living adjustments after retirement. Contributions are made by both the County and the employees.

In addition to the County's retirement plan, the MCERA also administers the plans of the City of San Rafael, the Novato Fire Protection District, and are performed for several of other special districts. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

Members are required to contribute to the County's plan, based on their age at the time of entry into the plan. Under the provisions of the County's pension plan, pension benefits vest after five years of credited service. The County's annual contributions are actuarially determined. The latest actuarial report of the County (with a June 30, 2008 actuarial valuation date) was prepared by EFI Actuaries on September 4, 2009. As of the fiscal years dated June 30, 2006, 2007 and 2008, the County's annual required contributions were approximately $36.87 million, $42.42 million and $39.66 million, respectively. These were also the County's actual contributions for the same time periods. The table below provides a five-year summary of the County's funding progress.

**COUNTY OF MARIN**
SCHEDULE OF FUNDING PROGRESS
**(in thousands)**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded / (Over-funded) Liability (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | Unfunded / (Over-funded) Liability as a Percentage of Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 6-30-04 | $843,169 | $938,211 | $95,042 | 89.90% | $143,107 | 66.40% |
| 6-30-05 | 858,183 | 992,226 | 134,043 | 86.49 | 141,272 | 94.88 |
| 6-30-06 | 908,767 | 1,090,344 | 181,578 | 83.00 | 149,527 | 121.40 |
| 6-30-07 | 1,013,543 | 1,141,736 | 128,193 | 88.80 | 159,177 | 80.50 |
| 6-30-08 | 1,111,115 | 1,280,206 | 169,091 | 86.80 | 173,735 | 97.30 |

*Source: Marin County Employees' Retirement Association Actuarial Review and Analysis as of June 30, 2008.*

**Other Post Employment Benefits**

The County sponsors, and the MCERA provides administrative services for, a single-employer defined-benefit postemployment healthcare plan to provide medical and dental insurance benefits to eligible retired employees. Benefit provisions are established and may be amended by the County. Under the current practice, the County allows eligible service and disability retirees and their dependents to continue health coverage in the County's medical and dental plans. The County pays a portion of the premiums based on date of hire.

The contribution policy is determined by the County. The plan has been funded on a pay-as-you-go basis. For fiscal year 2007-08, the County contributed $9,650,060, including $8,944,060 in premium payments for retirees, and $706,000 for implied subsidies. The County is studying various options for prefunding the plan and has set aside cash of $4.0 million through June 30, 2008, an additional $3.0 million through June 30, 2009, and an additional $6.0 million for the current fiscal year 2009-10, for a total of $13.0 million by June 30, 2010, in a reserve for that purpose.

The County engaged Bartel Associates, LLC to prepare an Actuarial Report in February 2009, to analyze the County's OPEB liability as of July 1, 2005. As of July 1, 2005, the County's Actuarial Accrued Liability was $378,183,000, which is also the County's Unfunded Actuarial Accrued Liability as of the same date. The County's annual OPEB costs for the fiscal year ended June 30, 2008 was $41,265,000.

**Summary Financial Information**

On July 1, 2006, the County implemented a new accounting software enterprise resource planning system ("ERP"). Because the ERP was a new system, the County was required to invest more time to implement reconciliation and validation processes. Consequently, the ERP caused a significant delay in the preparation of the County's audited financial statements ended June 30, 2007 through 2009. The results for the fiscal year ended June 30, 2009 are not expected to be released until May 2010. The County expects to publish its audited financial statements for the fiscal year ended June 30, 2010 on time and without issue.

Set forth below is a table summarizing the operating results of the County's General Fund for the fiscal years ending June 30, 2006 through 2008. The results were compiled by the County based on the County's audited financial statements for such periods. Excerpts from the County's audited financial statements for the year ended June 30, 2008 are included as Appendix C attached hereto and should be read in their entirety. ***[Note: this paragraph may be revised depending on timing of the 2008 financial statements.]***

## COUNTY OF MARIN
## SUMMARY OF GENERAL FUND
## OPERATING RESULTS
## For the years ended June 30,

| | 2006 | 2007 | 2008 |
|---|---|---|---|
| Revenues (including non-operating) | | | |
| Taxes | $118,888,617 | $147,659,544 | $170,925,976 |
| Licenses and permits | 9,631,167 | 4,523,448 | 4,687,284 |
| Intergovernmental | 192,096,539 | 138,783,827 | 152,139,663 |
| Charges for services | 17,260,465 | 36,766,235 | 46,246,361 |
| Fines and forfeits | 7,619,865 | 6,899,410 | 6,271,635 |
| From use of money and property | 10,208,936 | 10,511,155 | 9,349,183 |
| Miscellaneous | 76,339,281 | 6,829,452 | 2,937,686 |
| Other financing sources | -- | -- | 7,762,066 |
| Total Revenues | $432,044,870 | $351,973,071 | $400,319,854 |
| | | | |
| Expenditures (including non-operating) | | | |
| General government | $96,608,916 | $79,050,243 | $78,573,474 |
| Public protection | 138,246,689 | 102,236,367 | 120,913,146 |
| Public ways and facilities | 481,463 | 13,740,066 | 6,340,933 |
| Health and sanitation | 104,075,435 | 82,376,174 | 88,064,110 |
| Public assistance | 52,127,970 | 50,053,202 | 55,019,354 |
| Education | 107,573 | 1,909,889 | 417,043 |
| Recreation and cultural services | 7,685,669 | 8,034,738 | 7,922,570 |
| Capital outlay | -- | -- | 1,786,067 |
| Debt service | 6,070,861 | 21,128 | 33,860 |
| Other financing uses | -- | -- | 26,585,925 |
| Total Expenditures | $405,404,576 | $337,421,807 | $385,656,482 |
| | | | |
| Net Operating Transfers | 8,464,000 | (45,401,024) | -- |
| Sale of capital assets | -- | 20,360 | -- |
| Inception of capital lease | 974,188 | -- | -- |
| Net change in fund balances | $36,078,482 | $(30,829,400) | $14,663,372 |
| | | | |
| Fund balance, beginning of year | $150,797,453 | $209,350,955 | $143,779,769 |
| Prior period adjustment | 22,475,020 | (34,741,786) | 685,286 |
| Fund Balance, beginning of year (restated) | 173,272,473 | 174,609,169 | 144,465,055 |
| | | | |
| Fund Balance, end of year | $209,350,955 | $143,779,769 | $159,128,427 |

*Source: County of Marin Audited Financial Statements for the fiscal years ended June 30, 2006, 2007 and 2008.*
***[Note: This may be revised depending on timing of 2008 audited financials.]***

**Investments**

The County maintains a cash and investment pool for the purpose of increasing interest earnings through pooled investment activities. Cash and investments for most County activities are included in the County investment pool (the "Pool"). Interest earned on the Pool is allocated quarterly to the participating funds using the daily cash balance of each fund. Funds required to be held by outside fiscal agents do not participate in the Pool. The Pool includes both voluntary and involuntary participation from external entities. State statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The Pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the Pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

In 1995, the county received its first rating from Fitch Ratings ("Fitch") on the Pool: a managed fund credit rating of "AAA" and a market risk rating of "V1". In 1996, the Pool received an upgraded rating of "AAA / V1+". This rating was most recently confirmed by Fitch on October 26, 2009. These ratings reflect only the views of Fitch and any desired explanation of the significance of such ratings should be obtained from Fitch. There is no assurance that these ratings will continue for any given period of time or that such ratings will not be revised or withdrawn entirely by Fitch, if, in its judgment, circumstances so warrant.

The following table lists the County's total investments by type as of October 31, 2009:

| Investment Type | Amount | Percentage of Portfolio |
|---|---|---|
| Local Agency Investment Funds | $232,086.82 | 0.03% |
| Money Market Funds | 29,215,679.84 | 4.26 |
| Federal Agency Issues – Coupon | 174,981,465.28 | 25.50 |
| Federal Agency Issues – Discount | 476,058,609.36 | 69.39 |
| Treasury Securities – Discount | 5,595,776.67 | 0.81 |
| | $686,083,617.97 | 100.00%(1) |

(1) Total does not add up due to independent rounding.
*Source: County of Marin, Treasurer-Tax Collector's Office.*

As of October 31, 2009, the weighted average maturity of securities held in the Pool was approximately 199 days. By policy, the Pool must maintain an average maturity of less than 18 months and is not allowed to purchase securities with maturities greater than two years. However, the County Treasurer may authorize the purchase of U.S. government agency obligations with final maturities of five years or less.

For additional information concerning the County's investments, see APPENDIX C – "EXCERPTS FROM AUDITED FINANCIAL STATEMENTS" herein.

## Long-Term Obligations Payable from the General Fund

The excerpts of the County's audited financial statements attached as Appendix C hereto summarize the County's long-term obligations payable from the General Fund as of June 30, 2008. There have been no significant changes since June 30, 2008 to the County's long-term obligations payable from the General Fund.

## Labor Relations

Certain employees of the County are represented by labor unions and associations. Generally, labor relations with County employees have been good and no work stoppage strikes have occurred or are anticipated.

## Other Information

The County is not involved in any ongoing or threatened litigation or proceeding which might significantly affects its finances or operation. In the opinion of the County, all fees, assessments and taxes are in compliance with the provisions of Propositions 218 and 62.

## THE CITY OF NOVATO

### General

The City of Novato (the "City") is a general law city incorporated in 1960. The City is located in northern Marin County approximately 29 miles north of San Francisco. The City comprises a service area of 44 square miles. As of January 1, 2009, the California Department of Finance estimated the City to have a population of approximately 52,900.

The Radio Service is utilized by the City in connection with the following public safety and emergency services: police, hazardous materials handling and an emergency operations center. Other governmental agencies also provide other essential services to the City. Fire protection is provided by the Novato Fire District. Water, sewer and sanitation services are provided, respectively, by the Novato Sanitary District, the North Marin Water District and the County of Marin.

### Management

The names, title and term expiration date of the members of the City Council are provided below.

| Name | Title | Expiration of Term |
|---|---|---|
| Jeanne MacLeamy | Mayor | November 2011 |
| Carole D. Knutson | Mayor Pro Tem | November 2011 |
| Pat Eklund | Council Member | November 2013 |
| Madeline Kellner | Council Member | November 2011 |
| Denise Athas | Council Member | November 2013 |

Michael S. Frank has been the City Manager since May 2009. Prior to joining the City, Mr. Frank was the Assistant City Manager and Director of Administrative Services for the City of Santa Rosa. Mr. Frank has over 20 years of experience in six Bay Area cities. For the past three years, Mr. Frank has served on the Housing, Economic and Community Development Policy Committee for the League of California Cities Finance Department. Mr. Frank has a psychology degree from Wesleyan University of Connecticut and a masters in pulic and private management from Yale University.

### Summary Financial Information

Set forth below is a table summarizing the operating results of the City's General Fund for the fiscal years ending June 30, 2007 through 2009. The results for the fiscal years ended June 30, 2007 through 2008 were compiled by the City based on the City's audited financial statements for such periods. Excerpts from the City's audited financial statements for the year ended June 30, 2008 are included as Appendix C attached hereto and should be read in their entirety. The results for the fiscal year ended June 30, 2009 are unaudited and preliminary. ***[Note: The City may have its 2009 CAFR available by January 15, 2010.]***

**CITY OF NOVATO**
**SUMMARY OF GENERAL FUND**
**OPERATING RESULTS**
**For the years ended June 30,**

| | 2007 | 2008 | 2009[(1)] |
|---|---|---|---|
| Revenues (including non-operating) | | | |
| Taxes | $33,131,500 | $34,238,342 | $33,722,149 |
| Licenses, permits and fines | 1,798,134 | 1,750,112 | 1,801,934 |
| Interest and rents | 6,115,389 | 5,679,987 | 4,170,812 |
| Intergovernmental | 3,262,301 | 2,958,218 | 1,962,556 |
| Charges for services | 6,095,872 | 5,793,950 | 4,842,265 |
| Other | 13,042,838 | 998,751 | 1,599,512 |
| Total Revenues | $63,446,034 | $51,419,360 | $48,099,228 |
| | | | |
| Expenditures (including non-operating) | | | |
| General Government | $6,664,561 | $7,820,932 | $5,456,970 |
| Public safety | 12,976,841 | 13,716,397 | 13,881,955 |
| Public works | 2,802,746 | 6,934,057 | 14,162,308 |
| Community development | 4,966,077 | 3,135,875 | 2,338,655 |
| Culture and Recreation | 5,491,560 | 6,103,080 | 7,506,086 |
| Other | 17,112,408 | 15,105,743 | 6,837,256 |
| Total Expenditures | $50,014,193 | $52,816,084 | $50,183,230 |
| | | | |
| Net Operating Transfers | 5,125,443 | 39,800 | 1,059,484 |
| Net Revenues | 18,557,384 | (1,356,924) | (1,024,518) |
| Fund Balance, July 1 | 63,368,248 | 81,931,647 | 80,304,431 |
| Prior period adjustments | 6,115 | (270,292) | -- |
| Fund Balance, June 30 | $81,931,647 | $80,304,431 | $79,279,913 |

(1) Results shown are unaudited and preliminary.

*Source: City of Novato Financial Statements for fiscal years 2006-07 and 2007-08; the City of Novato for fiscal year 2008-09.* ***[Note: The City may have its 2009 CAFR available by Jan. 15, 2010.]***

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**Assessed Valuation**

The assessed valuation of property in the City is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIIIA of the California Constitution.

Total assessed valuation of City property for the past ten years is set forth below.

**CITY OF NOVATO**
**ASSESSED VALUE OF TAXABLE PROPERTY**
**LAST TEN FISCAL YEARS**
**(Dollar amounts in thousands)**

| Fiscal Year | Taxable Assessed Value[1] |
|---|---|
| 2000-01 | $4,494,686 |
| 2001-02 | 4,996,271 |
| 2002-03 | 5,389,426 |
| 2003-04 | 5,650,541 |
| 2004-05 | 6,199,969 |
| 2005-06 | 6,954,982 |
| 2006-07 | 7,699,712 |
| 2007-08 | 8,285,026 |
| 2008-09 | 8,574,747 |
| 2009-10 | 8,378,406 |

(1) Includes redevelopment incremental valuation.

*Source: City of Novato.*

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**Largest Taxpayers**

The table below sets forth the ten principal secured taxpayers in the City by their fiscal year 2009-10 assessed value.

**CITY OF NOVATO**
**PRINCIPAL SECURED TAXPAYERS**
**(Dollar amounts in thousands)**

| Business Name | Nature of Business | FY 2009-10 Assessed Value | Percentage of Total Assessed Value |
|---|---|---|---|
| Novato FF Property LLC | Property Mgmt. | $275,706 | 3.30% |
| Hamilton Marin LLC | Real Estate | 91,347 | 1.10 |
| BioMarin Pharmaceuticals Inc. | Medical R&D | 75,544 | 0.90 |
| JCC Cal Properties LLC | Property Mgmt. | 54,141 | 0.65 |
| Steven J. Scarpa | Real Estate | 50,550 | 0.60 |
| Downtown Novato Investors LLC | Real Estate | 43,794 | 0.52 |
| Lexington Wood Hollow | Real Estate | 43,058 | 0.51 |
| Sutter Health | Healthcare / Hosp. | 40,706 | 0.49 |
| BPG-Rock Rowland LLC | Property Mgmt. | 30,738 | 0.37 |
| Costco Wholesale Corp L/L | Retail | 18,276 | 0.22 |
| TOTAL | | $723,860 | 8.66% |

*Source: City of Novato.*

**Pension**

The City contributes 7.0% (9.0% for Safety members) of annual salary on behalf of each employee into the California Public Employees Retirement System ("CalPERS"). The City participates in CalPERS' "2% at 55" Local Miscellaneous Members Retirement Program and "3% at 55" Local Safety Members Retirement Program. For fiscal year 2009-10, the City's contribution to CalPERS is budgeted at approximately $3.2 million. Approximately $3.0 million is budgeted in the General Fund and the balance is budgeted in Redevelopment (Agency and Housing), Hamilton & Pointe Marin Community Facilities Districts, General Plan and Automation Surcharge, NPFA, and Equipment Maintenance Funds. Employees can also participate in several deferred compensation programs. For additional information regarding the CalPERS plans, see APPENDIX C – "EXCERPTS FROM AUDITED FINANCIAL STATEMENTS" herein.

**Other Post Employment Benefits**

The City provides medical insurance benefits to all retirees with a CalPERS pension. The plan has been funded on a pay-as-you-go basis.

The City conducted an Actuarial Report to analyze its OPEB liability as of January 1, 2008. The report was prepared by Steven T. Itelson, F.S.A. As of January 1, 2008, the City's Actuarial Accrued Liability was $1,803,000. As of January 1, 2008, the City's Unfunded Actuarial Accrued Liability was $1,803,000. During fiscal year 2007-08, the City recognized $41,767 in post-retirement health care expenditures for 41 retired employees.

## Investments

Funds held by the City are invested in accordance with the City's Investment Policy prepared by the City's Treasurer as authorized under Section 53601 of the California Government Code. The City has never invested in derivatives or reverse repurchase agreements or leveraged its portfolio.

The following table lists the City's total investments by type, as of September 30, 2009:

| Investment Type | Amount | Percentage of Portfolio |
|---|---|---|
| LAIF | $32,247,328 | 44.2% |
| Corporate Notes | 10,799,926 | 14.8 |
| Federal Agencies | 28,242,130 | 38.7 |
| Money Market Funds | 744,899 | 1.0 |
| Treasury Notes | 1,003,924 | 1.3 |
| TOTAL | $73,038,207 | 100.0% |

*Source: City of Novato.*

For additional information concerning the City's investments, see APPENDIX C – "EXCERPTS FROM AUDITED FINANCIAL STATEMENTS" herein.

### Long-Term Obligations Payable from the General Fund

The excerpts of the City's audited financial statements attached as Appendix C hereto summarize the City's long-term obligations payable from the General Fund as of June 30, 2008. There have been no significant changes since June 30, 2008 to the City's long-term obligations payable from the General Fund.

### Labor Relations

Certain employees of the City are represented by labor unions and associations. The City experiences stable and positive labor relations with City employees have been good, with no recent work stoppages or strikes.

### Other Information

The City is not involved in any ongoing or threatened litigation or proceeding which might significantly affect its finances or operation.

In the opinion of the City, all fees, assessments and taxes are in compliance with the provisions of Propositions 218 and 62.

For information concerning assessed values of property and tax revenues relating to the City, see "ASSESSED VALUES AND TAX REVENUES OF THE PARTICIPANTS" above.

## THE CITY OF SAN RAFAEL

### General

The City of San Rafael (the "City") is a charter city incorporated in 1874. The City is located in central Marin County and comprises a service area of roughly 17 square miles. As of January 1, 2009, the California Department of Finance estimated the City to have a population of approximately 58,360.

The Radio Service is utilized by the City in connection with the following public safety and emergency services: police, fire and public works, which includes emergency services for natural disasters.

### Management

The names, title and term expiration date of the City Council are provided in the table below.

| Name | Title | Expiration of Term |
|---|---|---|
| Albert J. Boro | Mayor | November 2011 |
| Barbara Heller | Vice Mayor | November 2013 |
| Greg Brockbank | Council Member | November 2011 |
| Damon Connolly | Council Member | November 2011 |
| Marc Levine | Council Member | November 2013 |

The City Manager is Ken Nordhoff. Mr. Nordhoff has almost 20 years of experience in government and has been with the City for 13 years. A native Californian, Mr. Nordhoff received his undergraduate degree in accounting from Cal Poly Pomona. Mr. Nordhoff started his career in the public accounting sector as a certified public accountant. He also was employed as a fiscal officer for a nonprofit organization before moving to municipal government.

### Summary Financial Information

Set forth below is a table summarizing the operating results of the City's General Fund for the fiscal years ending June 30, 2007 through 2009. The results for the fiscal years ended June 30, 2007 through 2008 were compiled by the City based on the City's audited financial statements for such periods. Excerpts from the City's audited financial statements for the year ended June 30, 2008 are included as Appendix C attached hereto and should be read in their entirety. The results for the fiscal year ended June 30, 2009 are unaudited and preliminary.

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**CITY OF SAN RAFAEL**
**SUMMARY OF GENERAL FUND**
**OPERATING RESULTS**
**For the years ended June 30**

| | **2007** | **2008** | **2009**[(1)] |
|---|---|---|---|
| Revenues (including non-operating) | | | |
| Taxes and special assessments | $44,921,449 | $48,084,486 | $42,951,759 |
| Licenses and permits | 1,157,434 | 1,489,748 | 1,467,413 |
| Fines and forfeitures | 514,278 | 796,081 | 660,338 |
| Use of money and property | 431,553 | 224,439 | 156,747 |
| Intergovernmental | 6,932,034 | 7,246,381 | 7,018,197 |
| Charges for services | 1,868,014 | 2,203,852 | 1,923,653 |
| Other revenue | 217,968 | 269,656 | 238,614 |
| Total Revenues | $56,042,730 | $60,314,643 | $54,416,721 |
| | | | |
| Expenditures (including non-operating) | | | |
| General Government | $6,928,766 | $7,023,660 | $6,811,591 |
| Public safety | 30,643,627 | 34,435,419 | 35,056,051 |
| Public works and parks | 6,914,505 | 7,602,332 | 7,299,137 |
| Community development / redevelopment | 3,163,138 | 3,705,928 | 4,004,061 |
| Culture and recreation | 1,990,631 | 2,292,848 | 2,463,777 |
| Capital outlay | 1,049,181 | 264,919 | 159,230 |
| Capital improvement / sp. projects | 213,390 | 484,926 | 518,251 |
| Debt service | 103,741 | 213,598 | 222,019 |
| Total Expenditures | $51,006,979 | $56,023,630 | $56,534,117 |
| | | | |
| Net Operating Transfers | $(4,811,296) | $(3,994,245) | $(205,139) |
| Net Revenues | 224,455 | 296,768 | (2,322,535) |
| Fund Balance, July 1 | 5,697,542 | 5,921,997 | 6,218,765 |
| Fund Balance, June 30 | $5,921,997 | $6,218,765 | $3,896,230 |

(1) Results shown are unaudited and preliminary.

*Source: City of San Rafael Audited Financial Statements for fiscal years 2006-07 and 2007-08 and City of San Rafael for fiscal year 2008-09.*

*[Remainder of Page Intentionally Left Blank.]*

**Assessed Valuation**

The assessed valuation of property in the City is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIIIA of the California Constitution.

Total assessed valuation of City property for the past ten years is set forth below.

**CITY OF SAN RAFAEL ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS**

| Fiscal Year | Taxable Assessed Value[1] |
|---|---|
| 2000-01 | $5,556,919,101 |
| 2001-02 | 6,131,637,059 |
| 2002-03 | 6,955,981,369 |
| 2003-04 | 7,328,972,973 |
| 2004-05 | 7,704,071,783 |
| 2005-06 | 8,312,722,278 |
| 2006-07 | 8,987,234,307 |
| 2007-08 | 9,531,744,911 |
| 2008-09 | 10,037,873,007 |
| 2009-10 | 10,091,763,752 |

(1) Includes redevelopment incremental valuation.

*Source: Marin County Assessor Combined Tax Rolls for fiscal years 2001-02 through 2008-09; Auditor-Controller for fiscal years 2000-01 and 2009-10.*

*[Remainder of Page Intentionally Left Blank.]*

**Largest Taxpayers**

The table below sets forth the principal secured taxpayers in the City by their fiscal year 2009-10 assessed value.

**CITY OF SAN RAFAEL**
**PRINCIPAL SECURED TAXPAYERS**

| Business Name | Nature of Business | FY 2009-10 Assessed Value | Percentage of Total Assessed Value |
|---|---|---|---|
| Northgate Mall Associates | Retail Property Leasing | $97,270,425 | 0.97% |
| SR Corporation Center Phase 1 & 2 | Commercial Leasing | 89,644,871 | 0.89 |
| Hines San Rafael LLC | Commercial Leasing | 80,929,782 | 0.81 |
| Sutter Health | Health Care | 41,564,999 | 0.41 |
| Regency Center II Associates LP | Retail Property Leasing | 40,911,379 | 0.41 |
| Marin Sanitary Service | Waste Management | 38,347,115 | 0.38 |
| 4040 Civic Center | Commercial Leasing | 36,205,533 | 0.36 |
| Bay Apartment Communities Inc. | Real Estate Inv. Trust | 34,497,679 | 0.34 |
| Northbay Properties II | Commercial Leasing | 33,950,419 | 0.34 |
| Rafael Town Center Investors LLC | Comm'l & Res. Prop. Leasing | 33,948,747 | 0.34 |

*Source: City of San Rafael.*

**Pension**

The City contributes to the Marin County Employees' Retirement Association (the "Association"). All full-time and permanent part-time employees who work at least 75% of a full-time position are eligible to participate. The Association is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local government agencies within the County of Marin. The Association provides retirement, disability and death benefits based on the employee's years of service, age, and final compensation.

The funding policy of the Association provides for actuarially determined periodic contributions by the City at rates such that sufficient assets will be available to pay Association benefits when due. For the fiscal year ended June 30, 2008, the City contributed 53.93% and 64.38% of payroll to the Association for Police and Fire personnel, respectively, and 30.32% for other covered employees. For the fiscal year ended June 30, 2009, the City contributed 48.94% and 66.17% of payroll to the Association for Police and Fire personnel, respectively, and 27.19% for other covered employees.

*[Remainder of Page Intentionally Left Blank.]*

The following table shows historical information regarding the City's pension plan.

**CITY OF SAN RAFAEL**
**Schedule of Funding Progress**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded / (Over-funded) Liability (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | Unfunded / (Over-funded) Liability as a Percentage of Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 6-30-06 | $209,785,000 | $306,079,000 | $(96,294,000) | 69% | $28,606,000 | (337%) |
| 6-30-07 | 235,756,000 | 325,219,000 | (89,463,000) | 72% | 30,180,000 | (277%) |
| 6-30-08 | 262,677,000 | 360,298,000 | (97,621,000) | 73% | 31,854,000 | (306%) |

*Source: City of San Rafael.*

The City also contributes to the Public Agency Retirement System ("PARS"), which is a defined contribution plan that provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are determined instead of specifying the amount of benefits the individual is to receive.

As defined by the plan, all eligible non-represented employees of the City will become participants in the plan from the date that they are hired. An eligible employee is any employee who, at any time during which the employer maintains the plan, is not accruing a benefit under the Marin County Employees' Retirement Fund.

As determined by the plan, each employee is required to contribute 3.75% of gross earnings to the plan. The City contributes an additional 3.75% of the employee's gross earnings. Contributions made by an employee and the employer vest immediately.

In fiscal year 2008-09, the City and employees contributed $71,156. The total covered payroll of employees participating in the plan for fiscal year 2008-09 was $1,897,489. The total payroll for the year was $40,377,568.

For additional information concerning the City's retirement plan, see APPENDIX C – "EXCERPTS FROM AUDITED FINANCIAL STATEMENTS" herein.

**Other Post Employment Benefits**

The City provides certain health care benefits for retired employees and their spouses. Substantially all of the City's employees may become eligible for these benefits if they are receiving a retirement benefit from the Marin County Employees' Retirement Association within 120 days of retirement from City employment. As of June 30, 2009, 301 retirees and surviving spouses received post-employment health care benefits. The cost of retiree health care benefits is recognized as an expenditure as claims are paid. For the fiscal year ended June 30, 2009, those costs totaled $2,235,573.98, of which $1 million was reimbursed by the Marin County Retirement Office.

The City conducted an Actuarial Report to analyze its OPEB liability as of June 30, 2007. The report was prepared by Bartel Associaties, LLC. As of January 1, 2007, the City’s Actuarial Accrued Liability was $56,624,000. As of January 1, 2007, the City’s Unfunded Actuarial Accrued Liability was $42,061,000.

**Investments**

Funds held by the City are invested in accordance with the City's Statement of Investment Policy prepared by the City's Treasurer as authorized under Section 53601 of the California Government Code. The City has never invested in derivatives or reverse repurchase agreements or leveraged its portfolio.

The following table lists the City's total investments by type, as of June 30, 2009:

| Investment Type | Amount | Percentage of Portfolio |
|---|---|---|
| U.S. Treasury Bill | $1,021,444 | 3.16% |
| U.S. Federal Agency Sec. | 4,146,855 | 12.83 |
| Money Market Mut. Fnds. | 2,342,699 | 7.25 |
| Local Agency Invest. Fnd. | 24,299,515 | 75.17 |
| Corporation Notes | 514,810 | 1.59 |
| | | 100.00% |

*Source: City of San Rafael.*

For additional information concerning the City investments, see APPENDIX C – "EXCERPTS FROM AUDITED FINANCIAL STATEMENTS" herein.

**Long-Term Obligations Payable from the General Fund**

The excerpts of the City's audited financial statements attached as Appendix C hereto summarize the City's long-term obligations payable from the General Fund as of June 30, 2008. There have been no significant changes since June 30, 2008 to the City's long-term obligations payable from the General Fund.

**Labor Relations**

Certain employees of the City are represented by labor unions. The City experiences stable and positive labor relations with City employees with no work stoppages or strikes.

**Other Information**

The City is not involved in any ongoing or threatened litigation or proceeding which might significantly affect its finances or operation.

In the opinion of the City, all fees, assessments and taxes are in compliance with the provisions of Propositions 218 and 62.

For information concerning assessed values of property and tax revenues relating to the City, see "ASSESSED VALUES AND TAX REVENUES OF THE PARTICIPANTS" above.