

**RESOLUTION NO. 2012-46**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELL,  
CALIFORNIA TO APPROVE THE FORM OF AN OFFER TO PURCHASE AND  
RELATED DOCUMENTS AND AN ESCROW AGREEMENT AND PROVIDING  
FOR MATTERS RELATED THERETO**

**WHEREAS**, on September 6, 2007, the City of Bell, California (the "City") issued its General Obligation Bonds (Election of 2003) Series 2007 (the "Bonds"); and

**WHEREAS**, the Bonds were issued and delivered to finance certain projects within the City, including the expansion and improvement of the Bell Sports Complex, the Bell Community Center, other parks, recreational and cultural facilities throughout the community, and the construction of a new library, performing arts theater and public safety and civic facilities (collectively, the "Planned Projects"); and

**WHEREAS**, many of the Planned Projects were not completed and the City desires if possible to mitigate property tax increases that would otherwise be required to fund required annual debt service payments for the Bonds; and

**WHEREAS**, the City desires to authorize City staff to use a portion of the unspent proceeds of the Bonds to make a tender offer to purchase a portion of the Bonds; and

**WHEREAS**, the City desires to authorize City staff, to the extent insufficient Bonds are purchased pursuant to the proposed tender offer, to use a portion of the unspent proceeds of the Bonds to fund a "prefunded debt service fund" under the Escrow Agreement for the purpose of paying debt service on a portion of the Bonds until the first optional redemption date and to redeem on such redemption date a portion of the then outstanding Bonds as specified in the Escrow Agreement; and

**WHEREAS**, pursuant to Resolution No. 2011-55, the Interim Chief Administrative Officer authorized the City's use of Fulbright & Jaworski LLP, as special counsel, KNN Public Finance, as financial advisor, Bondholder Communications Group LLC, as tender agent, U.S. Bank National Association, as escrow/paying agent, Causey Demgen & Moore Inc., as verification agent, and Bill Statler, as advisor, to the City in connection with the transactions contemplated herein.

**WHEREAS**, there have been made available to the City Council of the City of Bell (the "City Council") the proposed forms of the following:

- (1) Offer to Purchase, including a cover letter and Solicitation Fee Payment Notice (collectively, the "Offer to Purchase"); and
- (2) Escrow Agreement (the "Escrow Agreement"), by and between the City and U.S. Bank National Association, as escrow agent (the "Escrow Agent").

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED, FOUND AND ORDERED** by the City Council, as follows:

Section 1. Recitals. All of the above recitals are true and correct and the City Council so finds.

Section 2. Offer to Purchase. The proposed form of Offer to Purchase, as set forth in Exhibit A hereto, is hereby approved. The Mayor, Vice Mayor, City Administrative Officer, or their respective designees (each, an "Authorized Signatory") are hereby authorized and directed, for and on behalf of the City, to execute and deliver the Offer to Purchase in substantially such form, with such changes and insertions therein as any Authorized Signatory may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Escrow Agreement. The proposed form of Escrow Agreement, as set forth in Exhibit B hereto, is hereby approved. Any Authorized Signatory is hereby authorized and directed, for and on behalf of the City, to execute and deliver the Escrow Agreement in substantially such form, with such changes and insertions therein as any Authorized Signatory may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

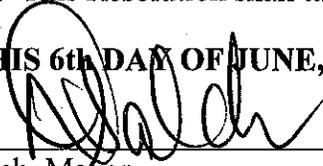
Section 4. Approval of Tender Offer. The proposed tender offer with respect to the Bonds is hereby approved. Any Authorized Signatory is hereby authorized to set prices for the purchase of Bonds through an optional tender, such prices not to exceed 120% of the principal amount thereof. Any Authorized Signatory is also hereby authorized to approve a solicitation fee payment of up to \$10.00 per \$1,000 principal amount of the applicable Bonds to compensate retail brokers who assist in soliciting their customers to participate in the optional tender. Such fees shall be paid from unspent Bond proceeds.

Section 5. Approval of Prefunded Debt Service Fund. Any Authorized Signatory, or other appropriate officer of the City, is hereby authorized and directed to transfer available funds in an amount estimated to be \$17,700,000 and which shall not exceed \$19,000,000 to U.S. Bank National Association for further application in accordance with a tender agent agreement and the Escrow Agreement. In structuring the revised annual debt service for the Bonds, the City staff's goal shall be to mitigate to the extent possible property tax rate increases. This may result in combined debt service payments for the City's 2004 general obligation bonds and the Bonds that are lower in the earlier years and higher in later ones. However, the difference in combined annual debt service payment for the 2004 general obligation bonds and the Bonds shall not increase by more than 5% annually.

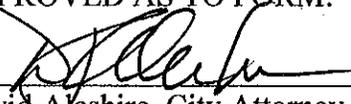
Section 6. Further Authorization. Any Authorized Signatory is hereby authorized and directed to determine a desirable schedule for the release to investors of the Offer to Purchase and related documents and the appropriate closing and settlement dates with respect thereto and to do any and all things, and to execute and deliver any and all letters, agreements (including a tender agent agreement) documents, notices and other instruments which such Authorized Signatory may deem necessary or advisable to carry out, give effect to and comply with the terms and intent of this Resolution and to consummate by the City the transactions contemplated by the documents approved hereby. All actions heretofore taken by any Authorized Signatory or any other officers and agents of the City with respect to the tender of the Bonds and the establishment of the prefunded debt service fund and the matters and documents approved herein are hereby ratified, confirmed and approved.

Section 7. Effective Date of Resolution. This Resolution shall take effect

**ADOPTED AND APPROVED THIS 6th DAY OF JUNE, 2012**

  
\_\_\_\_\_  
Ali Saleh, Mayor

APPROVED AS TO FORM:

  
\_\_\_\_\_  
David Aleshire, City Attorney

(City Clerk attestation on separate page)

**CERTIFICATE OF ATTESTATION AND ORIGINALITY**

I, Rebecca Valdez, City Clerk of the City of Bell, hereby attest to and certify that the foregoing Resolution No. 2012-46 is the original resolution adopted by the Bell City Council at its regular meeting held on the 6<sup>th</sup> day of June, 2012, by the following vote:

AYES: Harber, Quintana, Valencia, Alvarez, Saleh (5)

NOES: None (0)

ABSENT: None (0)

ABSTAIN: None (0)



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Rebecca Valdez, City Clerk



\_\_\_\_\_, 2012

**Offer to Purchase  
\$35,000,000  
City of Bell  
General Obligation Bonds  
(Election of 2003)  
Series 2007**

Dear Bondholder:

Thank you for your investment in the City of Bell, California, General Obligation Bonds (Election of 2003) Series 2007. The bonds were issued in September of 2007 to pay for municipal improvement projects that were approved by voters in a 2003 ballot measure. The projects included expansion and improvement of the Bell Sports Complex, the Bell Community Center, other parks, recreational and cultural facilities throughout the community, and construction of a new library, performing arts theater and public safety and civic facilities.

Many of these projects were never built, and we now find that we have cash left over from the original \$35,000,000 that we raised back in 2007 when we sold the bonds (the term for this is called "unspent proceeds"). We would like to use this cash to buy back and retire a portion of the outstanding bonds, and reduce the amount of debt we have outstanding and related annual debt service payments.

An alternate and/or supplemental procedure that we may use to pay bonds instead of buying them back from bondholders is to irrevocably set aside unspent bond proceeds in a "prefunded debt service fund" and apply such money to (i) pay debt service on the bonds as it becomes due and (ii) "redeem" bonds on the first optional redemption date. This means that we will buy and deposit into an escrow account, State and Local Government Securities with specific maturity dates and interest rates and in sufficient amounts to pay the interest and principal when due. If we use this procedure, the bonds to be redeemed would be optionally called for redemption at 100% of par on August 1, 2017 (bonds maturing before August 1, 2018 are not redeemable).

We believe that this may be a win-win situation for bondholders and the City. The prices that we are willing to pay bondholders may represent a premium above what other similarly rated bonds are trading at, but are below what it will cost the City to buy the Treasury Securities needed to fund the escrow. Ask your broker if he or she is able to locate replacement bonds that will cost you less to purchase than the amount we are willing to pay you for the bonds that you own.

The terms and conditions of our proposal to purchase Bonds are described in the enclosed Questions and Answers, which you should read carefully. You should also consult with your account executive or other independent professional financial advisor in deciding if, and how, you should respond to our Offer to Purchase.

**THE CITY IS CURRENTLY SUBJECT TO  
SIGNIFICANT LAWSUITS AND INVESTIGATIONS  
SEE RESPONSE TO QUESTION 18 IN THE OFFER TO PURCHASE**

Questions regarding the procedures for submitting a tender may also be directed to the Information Agent, Bondholder Communications Group, toll-free, at (888) 385-BOND or (888) 385-2663, Attention: Clara Barton, email: [cbarton@bondcom.com](mailto:cbarton@bondcom.com).

Thank you for taking the time to consider the Offer to Purchase. We appreciate your interest in our Bonds.

CITY OF BELL, CALIFORNIA

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Ali Saleh, Mayor



QUESTIONS AND ANSWERS

**OFFER TO PURCHASE**  
City of Bell  
General Obligation Bonds  
(Election of 2003)  
Series 2007

**THE CITY IS CURRENTLY SUBJECT TO SIGNIFICANT LAWSUITS AND INVESTIGATIONS, SEE RESPONSE TO QUESTION 18 HEREIN**

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***1. What is the tender offer and what are my options?***

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The City of Bell, California (the "City") wishes to purchase certain of the above-captioned bonds, originally issued on September 6, 2007. CIFG Assurance North America, Inc. ("CIFG NA") issued an insurance policy, guaranteeing the scheduled payment of principal of and interest on the bonds when due in the event of nonpayment by the City. The insurance policy has been assumed by Assured Guaranty Corp. The bonds were issued to pay for municipal improvement projects that were approved by voters in a 2003 ballot measure. The projects included expansion and improvement of the Bell Sports Complex, the Bell Community Center, other parks, recreational and cultural facilities throughout the community, and construction of a new library, performing arts theater and public safety and civic facilities.

Many of these projects were never built, and the City has cash left over from the original \$35,000,000 that was raised back in 2007 when we sold the bonds (the term for this is called "unspent proceeds"). We would like to use this cash to buy back and retire some of the outstanding bonds, and reduce the amount of debt we have outstanding and related annual debt service payments. **Currently, the City has not levied property taxes in the amount required to pay debt service on the bonds, but has made all past payments on the bonds when due.**

An alternate and/or supplemental procedure to buying back outstanding bonds that we may use is to irrevocably set aside unspent bond proceeds with an escrow agent that is a national banking association and direct the escrow agent to apply such money (i) to pay debt service on the bonds as it becomes due and/or (ii) to "redeem" a portion of the bonds on the first optional redemption date. This means that we will buy and deposit into an escrow account, [United States Treasury Obligations - State and Local Government Series or Non-AMT Tax Exempt Bonds] with specific maturity dates and interest rates and in sufficient amounts to pay the interest and principal when due. If we use this procedure, the bonds to be redeemed would be optionally called for redemption at 100% of par on August 1, 2017 (bonds maturing before August 1, 2018 are not redeemable). We will choose the maturities and amounts to be redeemed; the specific bonds to be redeemed would be selected by the paying agent, by lot, in any manner which the paying agent deems fair, typically by random draw. Bonds that are neither purchased



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nor redeemed will remain outstanding until they are subsequently called or they mature, whichever comes first.

**The deadline for accepting our Offer to Purchase is 5:00 p.m. New York City Time on June 28, 2012.** We expect to pay for the bonds accepted for purchase by us, plus accrued interest, no later than five (5) days following the deadline for accepting our Offer to Purchase.

**2. How much will I receive if I accept the Offer to Purchase?**

We will pay you a price for your bonds that depends on the CUSIP that you own. Please see the following table for a listing of the purchase prices for the respective bonds by CUSIP.

**BONDS SUBJECT TO OUR OFFER TO PURCHASE**

**City of Bell  
General Obligation Bonds, Series 2007  
(Election of 2003)**

SECURITIES SUBJECT TO OFFER				
CUSIP	AMOUNT OUTSTANDING	INTEREST RATE	MATURITY DATE	PURCHASE PRICE*
07786BAY6	\$ 775,000	4.00%	2013	\$
07786BAZ3	\$ 820,000	4.00%	2014	
07786BBA7	\$ 855,000	4.00%	2015	
07786BBB5	\$ 890,000	4.00%	2016	
07786BBC3	\$ 925,000	5.00%	2017	
07786BBD1	\$ 960,000	5.00%	2018	
07786BBE9	\$ 1,000,000	5.00%	2019	
07786BBF6	\$ 1,040,000	5.00%	2020	
07786BBG4	\$ 1,085,000	5.00%	2021	
07786BBH2	\$ 1,135,000	5.00%	2022	
07786BBJ8	\$ 1,180,000	5.00%	2023	
07786BBK5	\$ 1,235,000	5.00%	2024	
07786BBL3	\$ 1,290,000	5.00%	2025	
07786BBM1	\$ 1,345,000	5.00%	2026	
07786BBN9	\$ 1,405,000	5.00%	2027	
07786BBP4	\$ 3,010,000	5.00%	2029	
07786BBQ2	\$ 5,065,000	5.00%	2032	
07786BBR0	\$ 10,260,000	5.00%	2037	
<b>Total</b>	<b>\$34,275,000.00</b>			



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**3. *What will happen if I don't accept your offer and what are the risks if any?***

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That depends. Of the \$ \_\_\_\_\_ bonds outstanding as of the date of this notice, we intend to purchase \$ \_\_\_\_\_. If we are unable to purchase our goal amount, we will deposit unspent bond proceeds in the prefunded debt service fund for application as described in question number 1 above.

The fewer bondholders that tender their bonds to us, the greater the chances are that the bonds you own will be called at par on the first optional redemption date of August 1, 2017.

Additionally, the bonds that we purchase by means of this Offer to Purchase will reduce the amount outstanding or "float". This may affect the liquidity (the ability to find someone willing to buy your bonds in the future) of the remaining bonds.

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**4. *Will I pay any commission or fee if I accept your offer?***

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You will pay no fee to us or the Information and Tender Agent. However, check with your brokerage firm or bank to determine whether it will charge you a fee.

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**5. *Why are you asking me to accept your Offer to Purchase?***

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We hope to realize debt service savings, as described in our response to question 1 above.

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**6. *Is accepting your Offer to Purchase a good idea?***

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We cannot advise you on whether or not this is a good idea for you. Your broker or financial advisor is probably the best person to answer that question. Therefore, we urge you to consult with your own advisors.

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**7. *How do I tender my bonds?***

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Just call your broker or account executive and instruct him or her to tender your bonds.

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**8. *Can I tender some, but not all of my bonds?***

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Yes, as long as you tender them in authorized denominations of \$5,000 or any integral multiple of \$5,000.

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**9. *What will my brokerage firm or bank do to accomplish the settlement of my tender?***

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Brokerage firms and banks keep the bonds in book-entry form at The Depository Trust Company ("DTC"), New York, New York.



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We will establish an Automated Tender Offer Program (“ATOP”) account at DTC. Your broker or account executive will submit the tender of your bonds, as well as any request for withdrawal, through this ATOP account by the June 28, 2012 deadline.

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**10. *Can I change my mind after I accept your offer?***

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Yes. You may withdraw your instructions to tender so long as your withdrawal request is received by us by the June 28, 2012 deadline. Just ask your broker or banker to communicate your request to us. Make sure you contact your broker or banker in sufficient time so that they can transmit your withdrawal instructions to us by the deadline date.

To be effective, withdrawal instructions must be received at the ATOP account established for the tender offer by 5:00 p.m. Eastern Time on June 28, 2012 and must include the Voluntary Offering Instruction number of the tender being withdrawn.

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**11. *When is the expected settlement date (or, when will I get paid)?***

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The settlement date is the day on which bonds accepted for purchase are to be purchased. The settlement date has initially been set to occur five (5) days after the deadline for accepting our Offer to Purchase. The City may change the settlement date by giving notice to your broker, <http://emma.msrb.org> or [www.bondcom.com/Bell](http://www.bondcom.com/Bell).

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**12. *How will I be notified if you make any changes to or extend the Offer to Purchase?***

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If we make any changes to our Offer to Purchase, we will notify your broker. It in turn may notify you, so it is best to stay in contact with your broker. If we make changes to the terms which we believe are not in your favor (for example lowering the prices we propose to pay you), we will allow at least three (3) days for you to consider the changes and withdraw your tender. We are not responsible for the failure of your broker to communicate any modifications of our Offer to Purchase.

If we choose to extend the Offer to Purchase, we will notify your broker by 1:00 p.m. New York City Time on the first business day following the expiration date.

If you have access to the internet, you may find information about this offer at <http://emma.msrb.org> or [www.bondcom.com/Bell](http://www.bondcom.com/Bell).

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**13. *Will you buy all of the bonds that you are offering to purchase?***

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Maybe. In case more bonds are tendered than we wish to purchase, we will determine on a CUSIP by CUSIP basis which bonds we will accept. We will also select bonds to purchase based on our goal of achieving relatively level debt service on the bonds that are neither purchased nor set aside for the payment of debt service or redemption. If we do



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not purchase all bonds of a particular CUSIP, then we will accept them on a *pro rata* basis. For example, if you tender \$10,000 bonds to us, and we can only purchase 50% of the CUSIP you are holding, we will purchase \$5,000 of your bonds and return the remaining \$5,000 bonds to you. If we use this procedure, we will ensure that we return bonds to you in denominations of \$5,000 and integrals of \$5,000.

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**14. *How will I know if my tender has been accepted?***

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On 1:00 p.m. New York City Time on the first business day following the expiration date, we will notify your broker, <http://emma.msrb.org>, and [www.bondcom.com/Bell](http://www.bondcom.com/Bell) which bonds, if any, we are accepting for purchase, and the proration factor (if any) used to determine the amount of bonds we are purchasing on a pro rata basis.

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**15. *Are there any conditions which would prevent you from purchasing my bonds once you have accepted my tender (the "fine print")?***

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Yes. We will not be required to purchase any bonds we have agreed to purchase, and will incur no liability or other obligation to you, if before the settlement date any of the following occurs:

- (a) Litigation or another proceeding is pending or threatened which we believe may, directly or indirectly cause us harm if we were to proceed with the Offer to Purchase;
- (b) A war or national emergency or an escalation of any war or national emergency, banking moratorium, suspension of payments by banks, a general suspension of trading by the New York Stock Exchange or a limitation of prices on the New York Stock Exchange exists, and we believe this fact makes it inadvisable to proceed with the purchase of bonds;
- (c) A material change in our business or affairs has occurred which we believe makes it inadvisable to proceed with the purchase of bonds;
- (d) We do not have sufficient funds available to pay for the bonds on the settlement date;
- (e) We become subject to or may become subject to any statute, order, rule or regulation, or governmental action, that in our opinion would cause us harm if we were to complete the Offer to Purchase; and
- (f) Any change (or any condition, event or development involving a prospective change) in the general economic, financial or market conditions in the United States, that in our sole judgment, has or may have a material adverse effect upon the market prices of the bonds or upon trading in the bonds or upon the value of the bonds has occurred.

**These conditions are for our sole benefit. We may claim them regardless of the circumstances giving rise to any of these conditions or we may waive them in whole or in part at any time and from time to time in our discretion. If we fail to exercise all or some of**



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our rights as described above, we may still assert some or all of them at a later time. We will determine whether any of the events described above has occurred, and our decision will be final and binding upon all bondholders.

**16. Will there be any tax consequences for me if I tender my bonds?**

*The following discussion of federal income tax consequences is included for general information only and should not be construed as a tax opinion or tax advice to holders. This discussion is based on current law, which is subject to change. Holders should not rely upon this discussion and are urged to consult their own tax advisors to determine the particular federal, state or local tax consequences of tenders or sales made by them pursuant to this Invitation, including the effect of possible changes in the tax laws.*

Notwithstanding anything to the contrary contained herein, each holder and beneficial owner of a bond (and each employee, representative, or other agent of each holder and beneficial owner of a bond) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this offer to purchase and all materials of any kind that are provided to the holder or beneficial owner of a bond relating to such tax treatment and tax structure (as such terms are defined in Treasury Regulation Section 1.6011-4). The authorization of tax disclosure is retroactively effective to the commencement of discussions with holder or beneficial owners of bonds regarding the transactions contemplated herein.

**General**

The following summary is a general discussion of certain United States federal income tax consequences applicable under current law to the sale of the bonds pursuant to the offer to purchase. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated under the Code, administrative rulings and judicial decisions now in effect, all of which are subject to change, possibly with retroactive effect, or differing interpretations, in which case the United States federal income tax consequences could differ from those set forth below. The City has not sought, nor does the City intend to seek, a ruling from the Internal Revenue Service (the "IRS"), or an opinion of counsel regarding the United States federal income tax consequences of a tender of bonds. Accordingly, there can be no assurance that the IRS will agree with the tax consequences described in the following summary.

The summary below does not address all tax considerations that may be applicable to a holder of a bond in light of such holder's particular circumstances, nor does it address tax consequences arising under the laws of any state, local, foreign or other tax jurisdiction. Certain holders of the bonds (including, but not limited to, dealers in securities or currencies, traders in securities that elect to mark to market, banks, insurance companies, or other financial institutions, tax-exempt organizations, partnerships and other pass-through entities, certain U.S. expatriates, persons holding bonds as a hedge, as part of a straddle or in connection with a conversion or other integrated transaction, U.S. holders (defined below) having a functional currency other than the



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United States dollar and holders of bonds subject to the alternative minimum tax) may be subject to special rules not discussed below. If a partnership holds bonds, the tax treatment of a partner in the partnership will generally depend upon the status of the partner in and the activities of the partnership. A holder of a bond that is a partnership, and partners in that partnership, should consult their own tax advisors regarding the tax consequences of the offer to purchase. This discussion assumes that the bonds are held as “capital assets” within the meaning of Section 1221 of the Code by a holder that is not a dealer and is not holding such bonds for resale.

For purposes of this summary, a “U.S. holder” means a beneficial owner of bonds that is, for United States federal income tax purposes, (1) an individual citizen or resident of the United States; (2) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to United States federal income taxation regardless of its source; or (4) a trust that (a) is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust, or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. A “non-U.S. holder” means a beneficial owner of bonds who is an individual, corporation, trust or estate other than a U.S. holder.

For purposes of this summary, a holder’s “adjusted tax basis” in a bond will equal the cost of the bond to the holder, increased by the amount of any “market discount” previously taken into account by the holder and reduced by the amount of any amortized bond premium previously amortized by the holder with respect to the bond.

The bonds have been the subject of a prior opinion delivered by Nixon Peabody LLP, Bond Counsel in connection with the initial offering of the bonds, substantially to the effect that under the then-existing law and assuming the accuracy of certain representations and the faithful compliance with certain covenants, interest on the bonds was excluded pursuant to Section 103(a) of the Code from the gross income of the owners of the bonds for federal income tax purposes. The City has not in connection with this offer to purchase requested sought any new or updated opinion from bond Counsel, or engaged or caused any other legal counsel to examine any historic, existing or future exclusion of interest pursuant to said Section 103(a); the City in this disclosure document has referenced an on-going examination of the bonds by the Internal Revenue Service. For purposes of this discussion the City has assumed that such exclusion pursuant to Section 103(a) does exist and is continuing, and does not address any possible consequences of a contrary determination by the Internal Revenue Service.

Holders of bonds are urged to consult their own tax advisors regarding the specific United States federal, state, local, foreign and other tax consequences of the sale of bonds pursuant to the offer to purchase.



## QUESTIONS AND ANSWERS

### **U.S. Holders**

Sales of bonds by U.S. holders pursuant to the offer to purchase will be taxable transactions for United States federal income tax purposes. Subject to the discussion of the market discount rules set forth below, a U.S. holder selling bonds pursuant to the offer will generally recognize capital gain or loss in an amount equal to the difference between the amount of cash received (other than amounts received attributable to accrued but unpaid interest) and the U.S. holder's adjusted tax basis in the bonds sold at the time of sale. Currently, capital gain of a non-corporate U.S. holder is generally subject to a maximum tax rate of 15% in respect of property held for more than one year. The deductibility of capital losses is subject to limitations.

An exception to the capital gain treatment described above may apply to a U.S. holder who purchased a bond at a "market discount". Subject to the statutory de minimis exception described in the next sentence, a bond has market discount if it was purchased for an amount less than the stated redemption price at maturity of the bonds (i.e., generally the sum of all payments provided by the bonds other than payments of qualified stated interest). If the market discount is less than 0.25% of the stated redemption price of the Bonds at maturity multiplied by the number of complete years to maturity from the time a U.S. holder acquired the bonds, the market discount is considered to be zero. In general, unless the U.S. holder has elected to include market discount in income currently as it accrues, any gain realized by a U.S. holder on the sale of bonds having market discount will be treated as ordinary income to the extent of the lesser of (a) the gain recognized or (b) the portion of the market discount that has accrued (on a straight-line basis or, at the election of the U.S. holder, on a constant-yield basis) while such bonds were held by the U.S. holder.

Sales of bonds pursuant to the offer by non-corporate U.S. holders generally will be subject to information reporting requirements. In addition, a U.S. holder will be subject to United States backup withholding tax with respect to the gross proceeds received from the offer to purchase if the U.S. holder fails to provide its taxpayer identification number to the paying agent, or to otherwise establish an exemption from United States backup withholding tax. United States backup withholding tax is not an additional United States federal income tax. Rather, the United States federal income tax liability of persons subject to United States backup withholding tax will be offset by the amount of tax withheld. If United States backup withholding tax results in an overpayment of United States federal income taxes, a refund may be obtained from the IRS provided the required information is timely furnished.

### **Non-U.S. Holders**

A non-U.S. holder will generally recognize gain or loss on the sale of bonds in an amount equal to the difference between the purchase price received (other than amounts received attributable to accrued but unpaid interest) and the non-U.S. holder's adjusted tax basis in the bonds sold at the time of the sale. A non-U.S. holder generally will not, however, be subject to United States federal income or withholding tax on gain (if any) recognized on a sale of the bonds pursuant to the offer unless: (1) the gain is effectively connected with the non-U.S. holder's conduct of a



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trade or business in the United States (and if an applicable income tax treaty applies, is attributable to a “permanent establishment” maintained by the non-U.S. holder within the United States); or (2) the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, and certain other conditions are met. A non-U.S. holder described in (1) above generally will be required to pay United States federal income tax on the net gain derived from the sale, except as otherwise required by an applicable tax treaty, as if it were a U.S. holder who sold the bonds pursuant to the offer, and if such non-U.S. holder is a foreign corporation, it may also be required to pay a branch profits tax at a 30% rate (or a lower rate if so specified by an applicable income tax treaty) of its earnings and profits for the taxable year, subject to adjustments that are effectively connected with its conduct of a United States trade or business. A non-U.S. holder described in (2) above generally will be subject to a 30% (or, if applicable, a lower treaty rate) United States federal income tax on the gain derived from the sale, which may be offset by United States source capital losses, even though the non-U.S. holder is not considered a resident of the United States.

Payments of the Purchase Price to a non-U.S. holder may be subject to information reporting requirements. In addition, a non-U.S. holder generally will not be subject to United States backup withholding tax with respect to such payments provided that the non-U.S. holder properly certifies under penalties of perjury as to its foreign status (and the payer does not have actual knowledge or reason to know that the non-U.S. holder is a United States person), or the non-U.S. holder otherwise establishes an exemption.

Any amounts withheld under the United States backup withholding tax rules from a payment to a non-U.S. holder will be allowed as a credit against the non-U.S. holder’s United States federal income tax liability or such non-U.S. holder may claim a refund, provided the non-U.S. holder furnishes the required information to the IRS in a timely manner. Non-U.S. holders should consult their tax advisors regarding the application of United States backup withholding tax in their particular circumstance and the availability of, and procedure for obtaining an exemption from, United States backup withholding.

Although the preceding discussion has been based in part upon certain provisions of the Code, it is not intended as tax advice and therefore cannot be relied upon in any manner as tax advice. Accordingly, to the extent that any tax advice nevertheless may exist in this Section 16 or elsewhere in this invitation to tender, such tax advice was not intended or written to be used, and cannot be used, for the purpose of avoiding any federal tax penalty. This invitation to tender, and any such tax advice, was written to support the promotion or marketing of the transaction contemplated herein. Any person considering tendering his or her bond pursuant to this invitation to tender should consult his or her own tax advisors to determine the tax consequences of such tender and sale in his or her own particular circumstances, including the application of United States federal, state, local, foreign and other tax laws.



QUESTIONS AND ANSWERS

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**17. *Whom may I call if I have questions?***

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Please contact our Information and Tender Agent, Clara Barton of bondholder Communications Group, toll-free, at 1-888-385-BOND (1-888-385-2663) or via email at [cbarton@bondcom.com](mailto:cbarton@bondcom.com).

You can also obtain additional copies of this document and other materials on the Internet at [www.bondcom.com/Bell](http://www.bondcom.com/Bell).

Finally, your broker or financial advisor should be able to answer most questions concerning our tender offer.

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**18. *Are you subject to any lawsuits or investigations that I need to know about?***

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Since the bonds were issued in 2007, there have been very significant developments within the City. All City Council members and the Mayor seated when the bonds were authorized were recalled by the voters or have resigned. Special State legislation was required to swear in a new City Council. Various cases are currently pending against former City Council members and City officials regarding allegations, among others, of public corruption, misappropriating public funds, falsifying public documents and conflicts of interest. In addition, various former officials have filed indemnity and/or other claims against the City. There have been various allegations of election fraud in connection with the City's conversion to a charter city. Various federal and state agencies have conducted or are conducting investigations, including the California Public Employees' Retirement System, the Department of Corporations, the Internal Revenue Service, the Department of Housing and Urban Development and others.

In the Audit Report, dated September 22, 2010, as to Administrative and Internal Accounting Controls July 1, 2008 through June 30, 2010 (the "Controller's Report"), the State Controller made various findings with respect to the bonds and the use of the proceeds of the bonds. The findings in the Controller's Report include a finding that the City "did not establish separate accounts in accordance with the Paying Agent Agreement . . ." and a finding that the City "did not increase property taxes to pay for bond indebtedness until FY 2009-10, but the increased property tax was deposited in the General Fund instead of a Debt Service Fund . . ." The Controller's Report and other reports by the State Controller regarding the City and related entities are available on the State Controller's website at: <http://www.sco.ca.gov>.

The Internal Revenue Service is currently examining the bonds. Such investigation centers on the fact that the bonds were issued as tax-exempt obligations under the Internal Revenue Code. The City and its agents are cooperating with the Internal Revenue Service in connection with such examination. The City cannot predict the outcome of the examination. If the Internal Revenue Service issues an adverse determination with respect to the bonds, interest on the bonds could be deemed to be includable in the gross income of the Owners of the bonds. Such treatment could apply retroactively to the date of issuance of the bonds. The City has notified the Internal Revenue Service of its decision not to fund projects with the unexpended proceeds of the bonds and to reduce the principal amount outstanding of the bonds.



QUESTIONS AND ANSWERS

The United States Securities and Exchange Commission has commenced a private investigation based on information “that tends to show that from at least December 1, 2004 . . . in possible violation of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, the City of Bell, its officers, officials, employees, and/or other persons or entities, directly or indirectly, in the offering or sale or in connection with the purchase or sale of certain securities, may have been employing devices, schemes, or artifices to defraud, obtaining money or property by means of untrue statements of material fact or omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were or are made, not misleading, or engaging in transactions, acts, practices or courses of business which operated, operate, or would operate as a fraud or deceit upon any person. As part of or in connection with these activities, such persons or entities, directly or indirectly, may have been making false statements of material fact or failing to disclose materials facts concerning, among other things, (1) the use of bond proceeds, (2) the revenue and/or taxes pledged to repay bonds, and (3) the financial health of the City of Bell . . .” The City cannot predict the outcome of this or other investigations involving the City.

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**19. *Where can I find additional information about the City of Bell?***

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The City maintains a website at [www.cityofbell.org](http://www.cityofbell.org). The website was not prepared for the purposes of this Offer to Purchase. You should only rely on the information found in this document in deciding whether or not to tender your bonds. The City has no current audited financial statements. The City’s auditors are currently working to complete the audit for fiscal year 2009-10. After they complete the audit for fiscal year 2009-10, the auditors will focus on the City’s audit for fiscal year 2010-11.



QUESTIONS AND ANSWERS

**PLEASE NOTE**

ALL OF THE TERMS AND CONDITIONS OF THE OFFER TO PURCHASE ARE SET FORTH IN THIS QUESTIONS AND ANSWERS DOCUMENT, THE OFFER LETTER OF CITY OF BELL DATED \_\_\_\_\_, 2012, AND THE RELATED SOLICITATION FEE PAYMENT REQUEST NOTICE (COLLECTIVELY, "THE MATERIALS"). YOU SHOULD READ THE MATERIALS THOROUGHLY IN ORDER TO MAKE AN INFORMED DECISION REGARDING THE TENDER OFFER.

THE CITY OF BELL RESERVES THE RIGHT TO CANCEL THIS OFFER TO PURCHASE AT ANY TIME ON OR PRIOR TO THE DEADLINE DATE, AS EXTENDED FROM TIME TO TIME, IN ITS SOLE DISCRETION. THERE WILL BE NO OBLIGATION TO PURCHASE BONDS PREVIOUSLY TENDERED IF CANCELLATION OCCURS. NOTICE OF ANY SUCH CANCELLATION WILL BE GIVEN TO BOND OWNERS THROUGH PROVISION OF SUCH NOTICE TO YOUR BROKER AND EMMA AT [HTTP://EMMA.MSRB.ORG](http://EMMA.MSRB.ORG), AS WELL AS POSTED ON THE INTERNET AT [WWW.BONDCOM.COM/BELL](http://WWW.BONDCOM.COM/BELL), PROMPTLY AFTER THE DATE WE DECIDE TO CANCEL.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION REGARDING THE TENDER OFFER ON BEHALF OF THE CITY OF BELL OR THE INFORMATION AND TENDER AGENT THAT IS NOT CONTAINED IN THE MATERIALS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

NEITHER THE CITY OF BELL, NOR THE INFORMATION AND TENDER AGENT MAKE ANY RECOMMENDATION AS TO WHETHER OR NOT BOND OWNERS SHOULD ACCEPT THE OFFER TO PURCHASE.

THE CITY OF BELL WILL REIMBURSE BANKS AND BROKERAGE FIRMS FOR THEIR REASONABLE EXPENSES IN FORWARDING THE TENDER OFFER MATERIALS TO THEIR CUSTOMERS. SUCH REIMBURSEMENT WILL BE AT LEVELS ESTABLISHED BY THE NEW YORK STOCK EXCHANGE. IN ADDITION, FOR EXPLAINING THE TENDER OFFER TO THEIR CUSTOMERS AND THEIR TIME IN PROCESSING TENDERS, CITY OF BELL WILL PAY BANKS AND BROKERAGE FIRMS A SOLICITATION FEE OF \$7.50 PER \$1,000 PRINCIPAL AMOUNT OF BONDS TENDERED AND ACCEPTED FOR PURCHASE (AS DESCRIBED IN THE CITY OF BELL SOLICITATION FEE PAYMENT REQUEST NOTICE).

THIS OFFER TO PURCHASE IS NOT BEING MADE TO, NOR WILL TENDERS BE ACCEPTED FROM OR ON BEHALF OF, BOND OWNERS IN ANY JURISDICTION IN WHICH THE MAKING OF THIS TENDER OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF THAT JURISDICTION.



QUESTIONS AND ANSWERS

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***The Information and Tender Agent is:***

Bondholder Communications Group  
30 Broad St., 46<sup>th</sup> floor  
New York, NY 10004  
Attention: Clara Barton  
Tel: (888) 385-2663  
E-mail: [cbarton@boncom.com](mailto:cbarton@boncom.com)  
Website: [www.bondcom.com/Bell](http://www.bondcom.com/Bell)



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QUESTIONS AND ANSWERS

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**ESCROW AGREEMENT  
RELATING TO THE REDEMPTION OF A PORTION OF  
CITY OF BELL, CALIFORNIA  
GENERAL OBLIGATION BONDS (ELECTION OF 2003) SERIES 2007**

THIS ESCROW AGREEMENT, dated as of \_\_\_\_\_, 2012 (this "Escrow Agreement"), is made by and between the City of Bell, California (the "City") and U.S. Bank National Association, as escrow agent hereunder (the "Escrow Agent") and as paying agent for the 2007 Bonds (defined herein) under the Paying Agent Agreement, dated as of August 1, 2007 (the "Paying Agent Agreement"), by and between the City and U.S. Bank National Association (the "Paying Agent") (capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Paying Agent Agreement),

**W I T N E S S E T H:**

WHEREAS, pursuant to an authorization received at the general election of November 4, 2003 and a resolution adopted by the City Council of the City on May 7, 2007, the City authorized and issued \$35,000,000 aggregate principal amount of its General Obligation Bonds (Election of 2003) Series 2007 (the "2007 Bonds"), of which \$\_\_\_\_\_ aggregate principal amount remains outstanding; and

WHEREAS, the City desires to set aside legally available funds to pay a portion of the 2007 Bonds as they become due as specified on Schedule A-1 hereto and to redeem a portion of the 2007 Bonds as specified on Schedule A-2 hereto (the "Redeemed Bonds") pursuant to this Escrow Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the City and the Escrow Agent agree as follows:

**SECTION 1. Deposit of Moneys; Funding of Debt Service; Redemption.** The City hereby irrevocably deposits with the Escrow Agent, as agent for the Treasurer of the City, the amount of \$\_\_\_\_\_ (the "Deposit") in immediately available funds to be held in an irrevocable escrow by the Escrow Agent in a fund hereby created and established to be known as the "Escrow Fund" and to be applied solely as provided in this Escrow Agreement. Amounts in the Escrow Fund shall be withdrawn by the Escrow Agent and transferred to the Paying Agent on each February 1 and August 1, commencing on August 1, 2012, for application by the Paying Agent on each succeeding Interest Payment Date to the payment of principal of and interest on the 2007 Bonds, as set forth in Schedule B hereto. The Deposit shall not be invested in any investment with a yield exceeding \_\_\_\_%. On August 1, 2017, the Escrow Fund shall constitute the Redemption Account provided for under Section 4.04 of the Paying Agent Agreement and the City hereby directs the Paying Agent to redeem the Redeemed Bonds in accordance with this Escrow Agreement and the Paying Agent Agreement. The Deposit is at least equal to an amount sufficient to purchase Federal Securities, as defined in the Paying Agent Agreement, the principal of and interest on which when due will provide moneys which, together with the other moneys deposited with the Escrow Agent at the time pursuant hereto, shall be sufficient to pay

and redeem on August 1, 2017 (the "Redemption Date") the \$\_\_\_\_\_ principal amount of the Redeemed Bonds maturing on and after August 1, 2018, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the Redemption Date. The amounts required to be paid on the Redeemed Bonds are set forth on Schedule A-2 hereto.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 hereof and agrees immediately to invest such moneys in the specific Federal Securities set forth in Schedule B hereto and to deposit such Federal Securities in the Escrow Fund. Any moneys in the Escrow Fund not so invested shall be held as cash except as provided in Section 3 or 4 herein.

SECTION 3. Investment of Any Remaining Moneys. If the Escrow Agent shall receive (i) any cash payment not required for the initial purchase of Federal Securities set forth in Schedule C hereto, if any, or (ii) any payment of principal or interest from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, then, at the written direction of the City, the Escrow Agent shall reinvest the amount of such payment, or any portion thereof, in non-callable Federal Securities maturing in an amount at least equal to the purchase price thereof and maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, as verified in a report (a "Verification Report") prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions (a "Verification Agent") and provided the City has obtained and delivered to the Escrow Agent an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable on the 2007 Bonds for purposes of federal income taxation. The Escrow Agent shall monitor compliance with the foregoing requirements. Any investment income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in this Section 3 or in Section 5, as verified in the letter (the "Verification Letter") of \_\_\_\_\_, certified public accountants, originally obtained by the City with respect to the Redeemed Bonds and attached as Exhibit A hereto or in any other Verification Report, shall be transferred to the Debt Service Account to be applied as directed by the City (after consultation with bond counsel).

SECTION 4. Substitution of Securities. Upon the written request of the City, and subject to the conditions and limitations herein set forth, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities set forth on Schedule C hereto, other Federal Securities satisfying the criteria set forth in the Paying Agent Agreement, but only after the City has obtained and delivered to the Escrow Agent (i) an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable on the 2007 Bonds for purposes of federal income taxation, and (ii) a report by a Verification Agent to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due the principal or redemption price of and interest on the Redeemed Bonds on the Redemption Date specified herein. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of Redeemed Bonds.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon, if any, and moneys on deposit in the Escrow Fund, the Escrow Agent shall pay the Redeemed Bonds set forth on Schedule A-2 hereto. Any moneys remaining in the Escrow Fund after payment of the principal of and interest on the Redeemed Bonds in full as provided herein shall be repaid by the Escrow Agent to the City.

(b) Irrevocable Instructions to Provide Notice. The Escrow Agent (as Paying Agent for the Redeemed Bonds) shall provide notice of the redemption of the Redeemed Bonds to be redeemed in accordance with the Paying Agent Agreement, and with a copy of such notice to the Bond Insurer and such other parties as required.

(c) Unclaimed Moneys. Subject to applicable law, any moneys which remain unclaimed for two (2) years after the date when such moneys have become due and payable, shall be repaid by the Escrow Agent to the City as its absolute property free from trust, and the Escrow Agent shall thereupon be released and discharged with respect thereto and the owners of Redeemed Bonds shall look only to the City for the payment thereof; provided, however, that before being required to make any such payment to the City, the Escrow Agent shall, at the expense of the City, cause to be mailed to the Owners of any Redeemed Bonds that remain unpaid at the addresses shown on the registration books maintained by the Redeemed Bonds Paying Agent, a notice with respect to the Redeemed Bonds so payable and not presented and that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

SECTION 6. Application of Certain Terms of the Paying Agent Agreement. All of the terms of the Paying Agent Agreement relating to the making of payments of principal and interest on the Redeemed Bonds are incorporated in this Escrow Agreement as if set forth in full herein. The procedures set forth in the Paying Agent Agreement relating to the resignation and removal of the Redeemed Bonds Paying Agent are also incorporated in this Escrow Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Sections 2, 3 and 4 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages,

penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the City shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the willful breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the City or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Escrow Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its employees, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the Redeemed Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Federal Securities to accomplish the redemption of the Redeemed Bonds or to the validity of this Escrow Agreement as to the City and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the City.

SECTION 11. Amendments. This Escrow Agreement is made for the benefit of the City and the owners from time to time of the Redeemed Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the City; provided, however, that the City and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such owners

and as shall not be inconsistent with the terms and provisions of this Escrow Agreement or the Paying Agent Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; and (ii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Redeemed Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Redeemed Bonds have been paid in accordance with this Escrow Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Escrow Agreement.

SECTION 13. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the City; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Escrow Agreement.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 15. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 16. Governing Law. THIS ESCROW AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 17. Insufficient Funds. If at any time the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Escrow Agreement, the Escrow Agent shall notify the City in writing, immediately upon becoming aware of such deficiency, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

[Remainder of page intentionally left blank.]

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

CITY OF BELL

By: \_\_\_\_\_  
Mayor

Attest:

By: \_\_\_\_\_  
City Clerk

Approved as to Form and Legal Content:

By: \_\_\_\_\_  
City Attorney

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

By: \_\_\_\_\_  
Authorized Officer

**SCHEDULE A-2**  
**2007 BONDS TO BE PAID**

*[To be provided]*

**SCHEDULE A-2**

**REQUIREMENTS OF THE REDEEMED BONDS**

*[To be provided]*

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal To be Redeemed</u>	<u>Total</u>
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**SCHEDULE C**

**DEBT SERVICE REQUIREMENTS**

*[To be provided]*

**SCHEDULE B**

**FEDERAL SECURITIES**

*[To be provided]*

<u>Type</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Rate</u>	<u>Cost</u>
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**EXHIBIT A**

**VERIFICATION LETTER**

*[To be provided]*