



STAFF REPORT

Date: November 8, 2016
To: Bryan H. Montgomery, City Manager
From: Deborah Sultan, Finance Director
SUBJECT: Adopt Resolutions authorizing the Issuance of Lease Revenue Bonds

Approved and Forwarded to the City Council:


Bryan Montgomery, City Manager

Background and Analysis

The City issued Certificates of Participation (COPs) Series 2006 to finance the construction of components of the Civic Center Plaza. In response to record low interest rates, Staff has worked with the City's Financial Advisor to assemble a Finance team to refund those COPs and obtain additional funds to finance the construction phase of a recreation center and related facilities. The transaction would effectively "refinance" the 2006 COPs generating savings that allow funds to be used for the construction at the recreation center site. The reduction in the borrowing cost is estimated to reduce the debt service on the 2006 COPs by approximately \$680,000 over the life of the remaining life of the COPs. These savings will be used to reduce the cost of the additional \$4 million in new debt that will be issued to support a portion of the cost of construction at the new recreation center site. The estimated debt service payment will increase by only about \$80,000 per year for the additional funds. The term of the existing debt will not be extended, and the term on the new debt will be twenty-five years.

The Resolutions approve the sale of the 2016 Lease Revenue Bond (taking the place of the current COPs and adding new financing) in an amount not to exceed \$12 million, approves the Preliminary Official Statement and the Certificate Purchase Agreement, and authorizes related documents on behalf of the City. Descriptions of these documents are as follows:

Site and Facility Lease and Lease Agreement: The City will lease existing City properties (the "Leased Property") to the Oakley Public Financing Authority (the "Authority") under a Site and Facilities Lease, and the Authority will lease the Leased Property back to the City under a Lease Agreement, in consideration of the payment by the City to the Authority of semi-annual lease payments. The Leased Property is expected to include City Hall at 3231 Main Street, Oakley

Trust Agreement and Assignment Agreement: The Authority will assign its right to receive the semi-annual lease payments under the Lease Agreement to a corporate trustee ("Trustee"), under an Assignment Agreement, and in consideration of such assignment the Trustee will execute and deliver the 2016 Lease Revenue Bonds each evidencing a fractional interest in the City's semi-

annual lease payments, in accordance with a Trust Agreement. The City is not a party to the Assignment Agreement.

Bond Purchase Agreement: The Purchase Contract is a legally binding document between the issuer (the City) and an underwriter (Stifel, Nicholas & Company) establishing the terms of the sale. The 2016 bonds shall be sold at such a price and shall bear interest at such rates as shall produce a minimum net present value savings to the City of at least 3.0% of the principal amount of the outstanding 2006 Certificates. The underwriters discount shall not exceed .80% of the par amount of the Bonds.

Refunding Instructions: The refunding instructions are for the 2006 Certificates from the City and the Authority to Wells Fargo Bank, National Association, as trustee for the 2006 Certificates providing the deposit, investment and application of funds to refinance the 2006 Certificates.

Preliminary Official Statement: The preliminary Official Statement is a document which serves as the prospectus for municipal debt. It is a disclosure of the finances surrounding the current issuance. The Official Statement is the offering document used by the underwriter to market the certificates and indicated how investors in the certificates will be repaid.

Bond & Disclosure Counsel Agreement: The agreement retains the firm of Jones Hall, a Professional Law Corporation, in connection with the issuance and sale of the 2016 bonds.

Fiscal Impact

The refunding of the 2006 COPs will create debt service savings which will be offset by the additional debt service of the additional funds for the construction at the recreation center site and related facilities.

Recommendation

Staff recommends the City and Agency 1) approve the attached resolutions authorizing the issuance and sale of lease revenues to refund the 2006 Certificates of Participation and to obtain additional funds to finance the construction of a recreation center and related facilities; approving the form and authorizing execution of related documents and approving official actions and 2) authorize the City Manager to sign the documents on behalf of the City and Agency.

RESOLUTION NO. ____**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLEY
APPROVING DOCUMENTS AND ACTIONS RELATING TO THE
REFINANCING OF ITS 2006 CERTIFICATES OF PARTICIPATION AND
THE FUNDING OF ADDITIONAL CAPITAL PROJECTS**

WHEREAS, the City of Oakley (the "City") has previously caused the execution and delivery of its 2006 Certificates of Participation (Civic Center Project) in the aggregate initial principal amount of \$8,500,000 (the "2006 Certificates") for the purpose of financing the construction of civic center improvements and the acquisition of related land and facilities, including a city hall, police facility improvements, parking facilities, landscaping, utilities and related facilities (the "2006 Project"); and

WHEREAS, in order to take advantage of prevailing bond market conditions, the City Council of the City wishes to authorize the refinancing of the 2006 Certificates and the 2006 Project; and

WHEREAS, the City also desires to obtain additional funds in order to obtain additional funds to finance the construction of a community center and related facilities, as more fully described in the hereinafter Official Statement (the "2016 Project"); and

WHEREAS, to that end, the City has proposed to lease its City Hall, located at 3231 Main Street, Oakley, including both land and improvements (collectively, the "Leased Property") to the Oakley Public Financing Authority (the "Authority") in consideration of the payment by the Authority of an upfront rental payment which is sufficient to provide funds to refinance the 2006 Certificates and to finance the 2016 Project; and

WHEREAS, in order to raise funds for such purpose, the Authority proposes to issue and sell its Oakley Public Financing Authority 2016 Lease Revenue Bonds in the aggregate principal amount of not to exceed \$12,000,000 (the "2016 Bonds") under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"); and

WHEREAS, in order to secure the payments of principal of and interest on the 2016 Bonds, the Authority proposes to lease the Leased Property back to the City under a Lease Agreement (the "Lease Agreement"), under which the City is obligated to pay semiannual lease payments as rental for the Leased Property, and the Authority will assign substantially all of its rights under the Lease Agreement to U.S. Bank National Association, as trustee for the 2016 Bonds;

WHEREAS, as a condition precedent to the issuance of the 2016 Bonds and the financing of the 2016 Project, Section 6586.5 of the Bond Law requires that the City approve the proposed lease financing by the Authority and that the County make certain findings with respect to such financing, as hereinafter set forth, and Section 6586.5 of the Bond Law further requires that such approval be given and findings be made only after a noticed public hearing thereon; and

WHEREAS, the City held a duly noticed public hearing on the date hereof for the purpose of complying with the requirements of Section 6586.5 of the Bond Law;

WHEREAS, the City Council wishes at this time to approve all proceedings to which it is a party relating to the issuance and sale of the 2016 Bonds and the refinancing of the 2006 Certificates and the financing of the 2016 Project;

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

SECTION 1. Finding of Significant Public Benefits. Pursuant to the Bond Law, the City Council hereby finds and determines that the issuance of the Bonds and the transactions related thereto will result in significant public benefits within the contemplation of Section 6586 of the Bond Law.

SECTION 2. Issuance of 2016 Bonds. The City Council hereby approves the issuance of the 2016 Bonds by the Authority under the Bond Law in the maximum principal amount of \$12,000,000, for the purpose of providing funds to refinance the 2006 Certificates.

SECTION 3. Approval of Related Financing Agreements. The City Council hereby approves each of the following agreements required for the issuance and sale of the 2016 Bonds and the refinancing of the 2006 Certificates, in substantially the respective forms on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the Mayor, City Manager, Assistant City Manager or the Finance Director (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. An Authorized Officer is hereby authorized and directed for and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest, the final form of each such agreement, as follows:

- Site Lease, between the City as lessor and the Authority as lessee, under which the City leases the Leased Property to the Authority in consideration of the payment of an amount which will be applied by the City to refinance the 2006 Certificates.
- Lease Agreement, between the Authority as lessor and the City as lessee, under which the Authority leases the Leased Property back to the City and the City agrees to pay semiannual lease payments which are sufficient to provide revenues with which to pay principal of and interest on the 2016 Bonds when due; and
- Refunding Instructions, for the 2006 Certificates, from the City and the Authority to Wells Fargo Bank, National Association, as trustee for the 2006 Certificates, providing the deposit, investment and application of funds to refinance the 2006 Certificates.
- Continuing Disclosure Certificate, to be executed by the City.

SECTION 4. Negotiated Sale of 2016 Bonds. The City Council hereby approves the negotiated sale of the 2016 Bonds by the Authority to Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The 2016 Bonds shall be sold pursuant to the terms and provisions of a Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by an Authorized Officer. The 2016 Bonds shall be sold at such price and shall bear interest at such rates as shall produce a minimum net present value savings to the City of at least 3.00% of the principal amount of the outstanding 2006 Certificates, as such savings shall be verified and conclusively determined by the City's Financial Advisor. The Underwriter's discount shall not exceed 0.80%.

SECTION 5. Official Statement. The City Council hereby approves the preliminary Official Statement describing the 2016 Bonds in substantially the form on file with the City Clerk. The City Manager and the Finance Director, each acting alone, are hereby authorized and directed to approve any changes in or additions to said preliminary Official Statement (including the insertion of financial data that is contained in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016) and to execute an appropriate certificate stating the City Manager's determination that the preliminary Official Statement (together with any changes therein or additions thereto) has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934. Distribution of the preliminary Official Statement by the Underwriter is hereby approved. The City Manager and the Finance Director, each acting alone, are hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by the City Manager or the Finance Director shall be conclusive evidence of approval of any such changes and additions. The City Council hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed on behalf of the City by the City Manager or the Finance Director.

SECTION 6. Engagement of Bond and Disclosure Counsel. The firm of Jones Hall, A Professional Law Corporation, is hereby retained as bond counsel and disclosure counsel to the City in connection with the issuance and sale of the 2016 Bonds. The City Manager is hereby authorized and directed on behalf of the City to execute an agreement with each of said firms in the respective forms on file with the City Clerk.

SECTION 7. Official Actions. The Authorized Officers, the City Attorney, the City Clerk and all other officers of the City are each authorized and directed on behalf of the City to make any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance or termination, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. An Authorized Officer may revise the identity of the Leased Property as necessary in order to accomplish the purposes of this Resolution. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

SECTION 8. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED this 8th day of November, 2016 by the following vote:

AYES: Council Members

NOES:

ABSENT:

Mayor

ATTEST:

City Clerk

OAKLEY PUBLIC FINANCING AUTHORITY

RESOLUTION NO. ____

**RESOLUTION OF THE BOARD OF DIRECTORS THE OAKLEY PUBLIC FINANCING
AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF 2016
LEASE REVENUE BONDS TO REFINANCE OUTSTANDING 2006
CERTIFICATES OF PARTICIPATION AND THE FUNDING OF
ADDITIONAL CAPITAL PROJECTS, AND APPROVING RELATED
DOCUMENTS AND OFFICIAL ACTIONS**

WHEREAS, the City of Oakley (the "City") has previously caused the execution and delivery of its 2006 Certificates of Participation (Civic Center Project) in the aggregate initial principal amount of \$8,500,000 (the "2006 Certificates") for the purpose of financing the construction of civic center improvements and the acquisition of related land and facilities, including a city hall, police facility improvements, parking facilities, landscaping, utilities and related facilities (the "2006 Project"); and

WHEREAS, in order to take advantage of prevailing bond market conditions, the City Council of the City wishes to authorize the refinancing of the 2006 Certificates and the 2006 Project; and

WHEREAS, the City also desires to obtain additional funds in order to obtain additional funds to finance a community center and related facilities, as more fully described in the hereinafter Official Statement (the "2016 Project"); and

WHEREAS, to that end, the City has proposed to lease its City Hall, located at 3231 Main Street, Oakley, including both land and improvements (collectively, the "Leased Property") to the Oakley Public Financing Authority (the "Authority") in consideration of the payment by the Authority of an upfront rental payment which is sufficient to provide funds to refinance the 2006 Certificates and to finance the 2016 Project; and

WHEREAS, in order to raise funds for such purpose, the Authority proposes to issue and sell its Oakley Public Financing Authority 2016 Lease Revenue Bonds in the aggregate principal amount of not to exceed \$12,000,000 (the "2016 Bonds") under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"); and

WHEREAS, in order to secure the payments of principal of and interest on the 2016 Bonds, the Authority proposes to lease the Leased Property back to the City under a Lease Agreement (the "Lease Agreement"), under which the City is obligated to pay semiannual lease payments as rental for the Leased Property, and the Authority will assign substantially all of its rights under the Lease Agreement to U.S. Bank National Association, as trustee (the "Trustee") for the 2016 Bonds; and

WHEREAS, the Authority wishes at this time to approve all proceedings to which it is a party relating to the issuance and sale of the 2016 Bonds and assist the City in the refinancing of the 2006 Certificates;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Oakley Public Financing Authority as follows:

SECTION 1. Issuance of 2016 Bonds. The Authority hereby authorizes the issuance of the 2016 Bonds under the Bond Law in the maximum principal amount of \$12,000,000, for the purposes of providing funds to refinance the 2006 Certificates and finance the 2016 Project. The 2016 Bonds shall be issued under the Bond Law and the Indenture of Trust that is approved below.

SECTION 2. Approval of Related Financing Agreements. The Authority hereby approves each of the following agreements required for the issuance and sale of the 2016 Bonds, the refinancing of the 2006 Certificates and the financing of the 2016 Project, in substantially the respective forms on file with the Secretary together with any changes therein or additions thereto (including the addition of a reserve account) deemed advisable by the Chairman, Executive Director or the Treasurer (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. An Authorized Officer is hereby authorized and directed for and on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest, the final form of each such agreement, as follows:

- Indenture of Trust, between the Authority and the Trustee, setting forth the terms and provisions relating to the 2016 Bonds.
- Site Lease, between the City as lessor and the Authority as lessee, under which the City leases the Leased Property to the Authority in consideration of the payment of an amount which will be applied by the City to refinance the 2006 Certificates and finance the 2016 Project.
- Lease Agreement, between the Authority as lessor and the City as lessee, under which the Authority leases the Leased Property back to the City and the City agrees to pay semiannual lease payments which are sufficient to provide revenues with which to pay principal of and interest on the 2016 Bonds when due;
- Assignment Agreement, between the Authority and the Trustee, whereby the Authority assigns certain of its rights under the Lease Agreement to the Trustee for the benefit of the owners of the 2016 Bonds; and
- Refunding Instructions, for the 2006 Certificates, from the City and the Authority to Wells Fargo Bank, National Association, as trustee for the 2006 Certificates, providing the deposit, investment and application of funds to refinance the 2006 Certificates.

SECTION 3. Negotiated Sale of 2016 Bonds. The Authority hereby authorizes and directs the negotiated sale of the 2016 Bonds to Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The 2016 Bonds shall be sold pursuant to the terms and provisions of a Bond Purchase Agreement among the Authority, the City and the Underwriter (the "Purchase Agreement") in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by an Authorized

Officer, each of whom, acting alone, is authorized to execute the final form of the Purchase Agreement. The 2016 Bonds shall be sold at such price and shall bear interest at such rates as shall produce a minimum net present value savings to the City of at least 3.00% of the principal amount of the outstanding 2006 Certificates, as such savings shall be verified and conclusively determined by the City's Financial Advisor. The Underwriter's discount shall not exceed 0.80% of the principal amount of 2016 Bonds.

SECTION 4. Official Statement. The Authority hereby approves the preliminary Official Statement describing the 2016 Bonds in substantially the form on file with the Secretary. The Executive Director is hereby authorized and directed to approve any changes in or additions to said preliminary Official Statement and to execute an appropriate certificate stating the Executive Director's determination that the preliminary Official Statement (together with any changes therein or additions thereto) has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934. Distribution of the preliminary Official Statement by the Underwriter is hereby approved. The Executive Director is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by the Executive Director shall be conclusive evidence of approval of any such changes and additions. The Authority hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed on behalf of the Authority by the Executive Director.

SECTION 5. Official Actions. The Authorized Officers and the General Counsel, the Secretary and all other officers of the Authority are each authorized and directed on behalf of the Authority to make any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance or termination, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. An Authorized Officer may revise the identity of the Leased Property as necessary in order to accomplish the purposes of this Resolution. Whenever in this resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

SECTION 6. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED this 8th day of November, 2016 by the following vote:

AYES: Board members

NOES:

ABSENT:

Chair of the Oakley Public
Financing Authority

ATTEST:

Secretary of the Oakley
Public Financing Authority

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall
A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Stephen G. Melikian, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

SITE LEASE

This SITE LEASE (this "**Site Lease**"), dated for convenience as of November 1, 2016, is between the CITY OF OAKLEY, a municipal corporation and chartered city duly organized and existing under the Constitution and laws of the State of California, as lessor (the "**City**"), and the OAKLEY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessee (the "**Authority**").

BACKGROUND:

1. The City of Oakley (the "**City**") has previously caused the execution and delivery of its 2006 Certificates of Participation (Civic Center Project) in the aggregate initial principal amount of \$8,500,000 (the "**2006 Certificates**") for the purpose of financing the construction of civic center improvements and the acquisition of related land and facilities, including a city hall, police facility improvements, parking facilities, landscaping, utilities and related facilities (the "**2006 Project**").

2. The City is proceeding to refinance its outstanding 2006 Certificates and to obtain additional funds to finance the construction of a community center and related facilities (the "**2016 Project**").

3. To that end, the City is leasing the real property constituting its City Hall located at 3231 Main Street, Oakley, including both land and improvements (collectively, the "**Leased Property**"), to the Authority under this Site Lease in consideration of the payment by the Authority of an upfront rental payment (the "**Site Lease Payment**") which is sufficient to provide funds for the prepayment of the 2006 Certificates and the financing of the 2016 Project.

4. The Authority has authorized the issuance of its Oakley Public Financing Authority 2016 Lease Revenue Bonds in the aggregate principal amount of \$_____ (the "**Bonds**") under the Indenture of Trust dated as of November 1, 2016 (the "**Indenture**") between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**") for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority is leasing the Leased Property back to the City under a Lease Agreement dated as of November 1, 2016 (the "**Lease**"), under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The lease payments made by the City under the Lease have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement, dated as of November 1, 2016, between the Authority as assignor and the Trustee as assignee.

AGREEMENT:

In consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

SECTION 1. *Lease of Property to Authority.* The City hereby leases the Leased Property to the Authority and the Authority hereby leases the Leased Property from the City, on the terms and conditions hereinafter set forth.

SECTION 2. *Term; Possession.* The term of this Site Lease commences on the Closing Date and ends on the date on which the Indenture is discharged in accordance with Section 10.03 thereof, but under any circumstances not later than June 1, 2033. The provisions of this Section 2 are subject in all respects to any other provisions of this Site Lease relating to the termination hereof.

SECTION 3. *Rental.* The Authority shall pay to the City as and for rental of the Leased Property hereunder, the sum of \$_____ (the "**Site Lease Payment**"), representing amounts deposited in the Refunding Fund and the Project Fund under the Indenture. The Site Lease Payment is due and payable upon the issuance of the Bonds and the execution and delivery hereof, and will be paid from the proceeds of the Bonds. The Authority and the City hereby find and determine that the total amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the Leased Property which is conveyed hereunder by the City to the Authority. No other amount of rental is due and payable by the Authority for the use and occupancy of the Leased Property under this Site Lease.

As provided in the Indenture, the portion of the Site Lease Payment deposited in the Refunding Fund will be applied pursuant to the 2006 Refunding Instructions for the purpose of discharging the City's obligations with respect to the 2006 Certificates.

SECTION 4. *Leaseback to City.* The Authority shall lease the Leased Property back to the City under the Lease.

SECTION 5. *Assignments and Subleases.* Unless the City is in default under the Lease, the Authority may not assign its rights under this Site Lease or sublet all or any portion of the Leased Property, except as provided in the Assignment Agreement and in the Lease, without the prior written consent of the City.

SECTION 6. *Substitution or Release of Property.* If the City exercises its option under Section 3.2 of the Lease to substitute property for the Leased Property in whole or in part, such substitution shall also operate to substitute property for the Leased Property that is leased hereunder. If the City exercises its option under Section 3.3 of the Lease to release a portion of the Leased Property from the Lease, such substitution shall also operate to release such portion of the Leased Property hereunder. The description of the Leased Property which is leased under the Lease shall conform at all times to the description of the Leased Property which is leased hereunder.

SECTION 7. *Right of Entry.* The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property, or any portion thereof, at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 8. *Termination.* The Authority agrees, upon the termination of this Site Lease, to quit and surrender the Leased Property in the same good order and condition as the Leased Property was in at the time of commencement of the term hereof, reasonable wear and tear excepted, and agrees that all buildings, improvements and structures then existing upon the Leased Property shall remain thereon and title thereto shall vest thereupon in the City for no additional consideration.

SECTION 9. *Default.* If the Authority defaults in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Lease shall be deemed to occur as a result thereof and no such remedy may include termination hereof; *provided, however,* that so long as the Lease remains in effect, the Lease Payments payable by the City under the Lease shall continue to be paid to the Trustee.

SECTION 10. *Quiet Enjoyment.* The Authority at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property, subject to the provisions of the Lease and subject only to Permitted Encumbrances (as that term is defined in the Lease).

SECTION 11. *Waiver of Personal Liability.* All liabilities under this Site Lease on the part of the Authority are solely corporate liabilities of the Authority as a public entity, and the City hereby releases each and every member and officer of the Authority of and from any personal or individual liability under this Site Lease. No member or officer of the Authority or its governing board shall at any time or under any circumstances be individually or personally liable under this Site Lease for anything done or omitted to be done by the Authority hereunder.

SECTION 12. *Taxes.* The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Leased Property and any improvements thereon.

SECTION 13. *Eminent Domain.* If the whole or any part of the Leased Property or any improvements thereon is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid Lease Payments payable under the Lease and the balance of the award, if any, shall be paid to the City.

SECTION 14. *Partial Invalidity.* If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 15. *Notices.* Any notice, request, complaint, demand or other communication under this Site Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City, the Authority and the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the Authority
or the City:*

*City of Oakley
3231 Main Street
Oakley, California 94561
Attention: Finance Director
Fax: (925) 625-9859*

If to the Trustee:

*U.S. Bank National Association
Attn.: Global Corporate Trust Services
One California Street, Suite 1000
San Francisco, CA 94111
Fax: 415-677-3768*

SECTION 16. *Amendment of this Site Lease.* The Authority and the City may at any time amend or modify any of the provisions of this Site Lease, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to make cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such

modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds;

- (ii) to amend any provision hereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds under the Tax Code, in the opinion of Bond Counsel;
- (iii) to conform to any amendment of the Indenture which is made thereto in accordance with Section 9.01 of the Indenture; or
- (iv) for the purpose of effectuating any substitution or release of property under Section 6.

SECTION 17. *Governing Law.* This Site Lease shall be construed in accordance with and governed by the Constitution and laws of the State of California.

SECTION 18. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary under this Site Lease with all rights of a third party beneficiary.

SECTION 19. *Binding Effect.* This Site Lease inures to the benefit of and is binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 20. *Section Headings.* All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

SECTION 21. *Execution in Counterparts.* This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same lease. It is also agreed that separate counterparts of this Site Lease may be separately executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

SECTION 22. *Defined Terms.* All capitalized terms used herein and not otherwise defined have the respective meanings given those terms in the Indenture.

IN WITNESS WHEREOF, the City and the Authority have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF OAKLEY, as lessor

By _____
City Manager

Attest:

City Clerk

OAKLEY PUBLIC FINANCING AUTHORITY, as lessee

By _____
Executive Director

Attest:

Secretary

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of Oakley, County of Contra Costa and described as follows:

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall
A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Stephen G. Melikian, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

LEASE AGREEMENT

Dated as of November 1, 2016

between the

OAKLEY PUBLIC FINANCING AUTHORITY,
as lessor

and the

CITY OF OAKLEY,
as lessee

Relating to

\$ _____
Oakley Public Financing Authority
2016 Lease Revenue Bonds

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LEASE AGREEMENT

This LEASE AGREEMENT (this "**Lease**"), dated for convenience as of November 1, 2016, is between the OAKLEY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessor (the "**Authority**"), and the CITY OF OAKLEY, a municipal corporation organized and chartered city duly organized and existing under the Constitution and laws of the State of California, as lessee (the "**City**").

BACKGROUND:

1. The City of Oakley (the "**City**") has previously caused the execution and delivery of its 2006 Certificates of Participation (Civic Center Project) in the aggregate initial principal amount of \$8,500,000 (the "**2006 Certificates**") for the purpose of financing the construction of civic center improvements and the acquisition of related land and facilities, including a city hall, police facility improvements, parking facilities, landscaping, utilities and related facilities (the "**2006 Project**").

2. The City is proceeding to refinance its outstanding 2006 Certificates and to obtain additional funds to finance the construction of a community center and related facilities (the "**2016 Project**").

3. To that end, the City has leased the real property constituting its City Hall, including both land and improvements (collectively, the "**Leased Property**"), to the Authority under a Site Lease dated as of November 1, 2016 (the "**Site Lease**"), in consideration of the payment by the Authority of an upfront rental payment (the "**Site Lease Payment**") which is sufficient to provide funds for the prepayment of the 2006 Certificates and the financing of the 2016 Project.

4. The Authority has authorized the issuance of its Oakley Public Financing Authority 2016 Lease Revenue Bonds in the aggregate principal amount of \$_____ (the "**Bonds**") under the Indenture of Trust dated as of November 1, 2016 (the "**Indenture**") between the Authority and [~~Wells Fargo~~U.S. Bank, National Association], as trustee (the "**Trustee**") for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues that are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has leased the Leased Property back to the City under this Lease, under which the City is agreeing to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The lease payments made by the City under the Lease have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement, dated as of November 1, 2016, between the Authority as assignor and the Trustee as assignee.

7. The City and the Authority have found and determined that all acts and proceedings required by law necessary to make this Lease, when executed by the City and the Authority, the valid, binding and legal obligations of the City and the Authority, and to constitute this Lease a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Lease have been in all respects duly authorized.

AGREEMENT:

In consideration of the material covenants contained in this Lease, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease have the respective meanings given them in the Indenture.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular includes the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes the neuter, masculine or feminine gender, as appropriate.

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

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

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Covenants, Representations and Warranties of the City.* The City makes the following covenants, representations and warranties to the Authority and the Trustee as of the date of the execution and delivery of this Lease:

- (a) Due Organization and Existence. The City is a municipal corporation organized and chartered city duly organized and validly existing under the Constitution and laws of the State of California, has full legal right, power and authority under the laws of the State of California to enter into the Site Lease and this Lease and to carry out and consummate all transactions contemplated hereby, and by proper action the City has duly authorized the execution and delivery of the Site Lease and this Lease.
- (b) Due Execution. The representatives of the City executing the Site Lease and this Lease have been fully authorized to execute the same under a resolution duly adopted by the City Council of the City.

- (c) Valid, Binding and Enforceable Obligations. The Site Lease and this Lease have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of the Site Lease and this Lease, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions thereof and hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease or the financial condition, assets, properties or operations of the City.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Site Lease and this Lease, or the consummation of any transaction therein and herein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Site Lease and this Lease, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease or the financial conditions, assets, properties or operations of the City.

SECTION 2.2. *Covenants, Representations and Warranties of the Authority.* The Authority makes the following covenants, representations and warranties to the City and the Trustee as of the date of the execution and delivery of this Lease:

- (a) Due Organization and Existence. The Authority is a joint exercise of powers authority duly organized and existing under a joint powers

agreement and the laws of the State of California; has power to enter into this Lease, the Site Lease, the Assignment Agreement and the Indenture; is possessed of full power to own and hold, improve and equip real and personal property, and to lease the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.

- (b) Due Execution. The representatives of the Authority executing this Lease, the Site Lease, the Assignment Agreement and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Authority.
- (c) Valid, Binding and Enforceable Obligations. This Lease, the Site Lease, the Assignment Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of this Lease, the Site Lease, the Assignment Agreement and the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, the Assignment Agreement and the Indenture or the financial condition, assets, properties or operations of the Authority.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease, the Site Lease, the Assignment Agreement or the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets,

properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease, the Site Lease, the Assignment Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, the Assignment Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority.

ARTICLE III

DEPOSIT AND APPLICATION OF FUNDS; SUBSTITUTION AND RELEASE OF PROPERTY

SECTION 3.1. *Deposit of Moneys.* On the Closing Date, the Authority will cause the proceeds of sale of the Bonds to be deposited with the Trustee. The Trustee shall deposit such proceeds in accordance with Section 3.02 of the Indenture.

SECTION 3.2. *Substitution of Property.* The City has the option at any time and from time to time, to substitute other real property (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Alameda County Recorder sufficient memorialization of, an amendment hereof which adds the legal description of the Substitute Property to Appendix A and deletes therefrom the legal description of the Former Property.
- (c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate hereunder in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- (d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.
- (e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made herein.

- (g) The City has filed with the Authority and the Trustee a written certificate of the City or other written evidencing stating that the useful life of the Substitute Property at least extends to May 1, 203_, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable hereunder.
- (h) The City has mailed written notice of such substitution to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this Section. The Authority and the City will execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease and the Assignment Agreement of record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site Lease, this Lease and the Assignment Agreement.

SECTION 3.3. *Release of Property.* The City has the option at any time and from time to time to release any portion of the Leased Property from this Lease (the "**Released Property**") provided that the City has satisfied all of the following requirements which are hereby declared to be conditions precedent to such release:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Alameda County Recorder sufficient memorialization of, an amendment hereof which removes the Released Property from the Site Lease and this Lease.
- (c) The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to this Lease following such release is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to this Lease following such release is at least equal to the Lease Payments thereafter coming due and payable hereunder.
- (d) The City has mailed written notice of such release to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease and the Assignment Agreement of record against the Released Property.

ARTICLE IV

LEASE OF LEASED PROPERTY; TERM OF THIS LEASE; LEASE PAYMENTS

SECTION 4.1. *Lease of Leased Property.* The Authority hereby leases the Leased Property to the City and the City hereby leases the Leased Property from the Authority, upon the terms and conditions set forth in this Lease.

SECTION 4.2. *Term.* The Term of this Lease commences on the Closing Date and ends on the date on which the Indenture is discharged in accordance with Section 10.03 thereof, but under any circumstances not later than June 1, 2033. The provisions of this Section are subject to the provisions of Section 6.2 relating to the taking in eminent domain of the Leased Property in whole or in part.

SECTION 4.3. *Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Sections 6.2 and 6.3 and the provisions of Article IX, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in Appendix B attached to this Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in Appendix B, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in Appendix B. Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts on deposit in the Reserve Account, other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under Article IX, and amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid hereunder. The City is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee. The Lease Payments payable in any Rental Period are for the use of the Leased Property during that Rental Period.

(b) Effect of Prepayment. If the City prepays all Lease Payments in full under Sections 9.1, 9.2 or 9.3, the City's obligations under this Section will thereupon cease and terminate. If the City prepays the Lease Payments in part but not in whole under Sections 9.1, 9.2 or 9.3, the principal components of the remaining Lease Payments will be reduced in integral multiples of \$5,000 among Lease Payment Dates on a basis which corresponds to the principal maturities of the Bonds which are redeemed thereby; and the interest component of each remaining Lease Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under Section 4.01 of the Indenture.

(c) Rate on Overdue Payments. If the City fails to make any of the payments required in this Section, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding Bond.

(d) Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property based on comparable properties, insurance appraisals and other records maintained by the City, other obligations of the City and the Authority under this Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

(e) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, under the Assignment Agreement, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees to pay to the Trustee at its Office, all payments payable by the City under this Section and all amounts payable by the City under Article IX.

(f) Allocation of Lease Payments. The allocation of Lease Payments to the refunding of the 2006 Certificates and the allocation of Lease Payments to the new money component of the Bonds is set forth in Appendix B hereto.

SECTION 4.4. *Source of Payments; Covenant to Budget and Appropriate.* The Lease Payments are payable from any source of available funds of the City, subject to the provisions of Sections 6.2 and 6.3. The City covenants to take all actions required to include the Lease Payments in each of its annual budgets during the Term of this Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. The foregoing covenant of the City contained constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the City.

SECTION 4.5. *Additional Rental Payments.* In addition to the Lease Payments, the City shall pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority hereunder:

- (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due,
- (b) all reasonable compensation to the Trustee for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture,
- (c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Lease or the Indenture,

- (d) amounts coming due and payable as Excess Investment Earnings in accordance with Section 7.6(e), and
- (e) the reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of this Lease or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving this Lease, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of this Lease.

SECTION 4.6. *Quiet Enjoyment.* Throughout the Term of this Lease, the Authority shall provide the City with quiet use and enjoyment of the Leased Property and the City will peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease. The Authority will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority has the right to inspect the Leased Property as provided in Section 7.2.

SECTION 4.7. *Title.* Upon the termination of this Lease (other than under Section 8.2(b) hereof), all right, title and interest of the Authority in and to the Leased Property transfers to and vests in the City. The Authority shall take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

SECTION 5.1. *Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of this Lease, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property are the responsibility of the City, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Authority agrees to provide only the Leased Property. The City waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the City under the terms of this Lease.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall pay only such installments as are required to be paid during the Term of this Lease as and when the same become due.

The City may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority notifies the City that, in its reasonable opinion, by nonpayment of any such items the interest of the Authority in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

SECTION 5.2. *Modification of Leased Property.* The City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of this Lease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this Section, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this Section; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

SECTION 5.3. *Liability and Property Damage Insurance.* The City shall maintain or cause to be maintained throughout the Term of this Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall 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 Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 5.7, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

SECTION 5.4. *Casualty Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the

aggregate principal amount of the Outstanding Bonds. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in Section 6.1.

SECTION 5.5. *Rental Interruption Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

SECTION 5.6. *Recordation Hereof; Title Insurance.* On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and this Lease, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Alameda County Recorder, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy must be deposited with the Trustee in the Bond Fund to be credited towards the prepayment of the remaining Lease Payments under Section 9.3.

SECTION 5.7. *Insurance Net Proceeds; Form of Policies.* Each policy of insurance maintained under Sections 5.4, 5.5 and 5.6 must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a certificate of the City stating that all policies of insurance required hereunder are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any insurance maintained under Section 5.3 is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the

City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

SECTION 5.8. *Installation of City's Personal Property.* The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of the City, in which neither the Authority nor the Trustee has any interest, and may be modified or removed by the City at any time, provided that the City must repair all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease prevents the City from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, so long as no such lien or security interest attaches to any part of the Leased Property.

SECTION 5.9. *Liens.* The City may not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than as herein contemplated and except for such encumbrances as the City certifies in writing to the Trustee do not materially and adversely affect the leasehold estate of the City in the Leased Property hereunder. If any such mortgage, pledge, lien, charge, encumbrance or claim does materially and adversely affect the leasehold estate of the City in the Leased Property hereunder, the City will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible; provided that the City is not required to do so prior to the time when such mortgage, pledge, lien, charge, encumbrance or claim actually causes such material adverse effect. The City will reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

SECTION 5.10. *Advances.* If the City fails to perform any of its obligations under this Article V, the Authority may (but is not required to) take such action as it deems necessary to cure such failure, including the advancement of money, and the City shall repay all such advances as Additional Rental Payments hereunder, with interest at the rate set forth in Section 4.3(c).

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

SECTION 6.1. *Application of Net Proceeds.* The Trustee, as assignee of the Authority under the Assignment Agreement, has the right to receive all Net Proceeds. As provided in the Indenture, the Trustee will deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in Section 5.07 of the Indenture.

SECTION 6.2. *Termination or Abatement Due to Eminent Domain.* If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) this Lease shall continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and
- (b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Notwithstanding the foregoing, there shall be no abatement of the Lease Payments under this Section 6.2 in the event and to the extent that amounts in the Insurance and Condemnation Fund or the Bond Fund are available to pay Lease Payments which would otherwise be abated, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

SECTION 6.3. *Abatement Due to Damage or Destruction.* The Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease continues in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage and destruction.

Notwithstanding the foregoing, there shall be no abatement of the Lease Payments under this Section 6.3 in the event and to the extent that amounts in the Insurance and Condemnation Fund or the Bond Fund are available to pay Lease Payments which would otherwise be abated, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

The abatement of Lease Payments hereunder in accordance with the terms hereof shall not constitute an Event of Default (as defined in Section 8.1) hereunder.

ARTICLE VII

OTHER COVENANTS OF THE CITY

SECTION 7.1. *Disclaimer of Warranties.* THE AUTHORITY AND THE TRUSTEE MAKE NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE LEASED PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. The Authority has no liability for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease for the existence, furnishing, functioning or use of the Leased Property by the City.

SECTION 7.2. *Access to the Leased Property.* The City agrees that the Authority and any Authorized Representative of the Authority, and the Authority's successors or assigns, have the right at all reasonable times to enter upon and to examine and inspect the Leased Property or any part thereof. The City further agrees that the Authority, any Authority Representative and the Authority's successors or assigns may have such rights of access to the Leased Property or any component thereof as reasonably necessary to cause the proper maintenance of the Leased Property if the City fails to perform its obligations hereunder; *provided, however,* that neither the Authority nor any of its assigns has any obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The City agrees to indemnify the Authority, the Trustee and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of any of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the City,
- (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease,
- (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property,
- (d) any intentional misconduct or negligence of any sublessee of the City with respect to the Leased Property,
- (e) the acquisition, construction, improvement and equipping of the Leased Property, or the authorization of payment of the costs thereof, or

- (f) the acceptance and performance of the duties of the Trustee under the Indenture and under this Lease.

No indemnification is made under this Section or elsewhere in this Lease for willful misconduct or negligence under this Lease by the Authority, the Trustee or their respective officers, agents, employees, successors or assigns.

SECTION 7.4. *Assignment and Subleasing by the City.* The City may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

- (a) this Lease and the obligation of the City to make Lease Payments hereunder must remain obligations of the City;
- (b) the City must, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;
- (c) no such sublease by the City may cause the Leased Property to be used for a purpose which is not authorized under the provisions of the laws of the State of California; and
- (d) the City must furnish to the Authority and the Trustee a written opinion of Bond Counsel stating that such sublease does not cause the interest on the Bonds to become included in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State of California.

SECTION 7.5. *Amendment Hereof.* The Authority and the City may at any time amend or modify any of the provisions of this Lease, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement this Lease in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property under Sections 3.2 or 3.3;

- (v) to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, (B) the City has obtained and filed with the Trustee an appraisal showing that the appraised value of the Leased Property is at least equal to the aggregate principal amount of the Outstanding Bonds and all such other bonds, notes, leases or other obligations, and (C) the City has filed with the Trustee written evidence that the amendments made under this clause (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Bonds; or
- (vi) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Lease Payment Date or reducing any Lease Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

SECTION 7.6. *Tax Covenants.*

(a) Private Business Use Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

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

(c) No Arbitrage. The City may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The City shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the City from any

source of legally available funds of the City, and shall constitute Additional Rental Payments hereunder.

The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the City of any of the requirements under this subsection (e).

SECTION 7.7. *Continuing Disclosure.* The City shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Lease, failure of the City to comply with such Continuing Disclosure Certificate will not constitute an Event of Default, although any Participating Underwriter (as that term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section, including seeking mandate or specific performance by court order.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. *Events of Default Defined.* Any one or more of the following events constitute an Event of Default hereunder:

- (a) Failure by the City to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under this Lease. Notwithstanding anything herein or in the Indenture to the contrary, neither the Authority nor the Trustee may accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted hereunder; except that no termination of this Lease may be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Authority may exercise each and every one of the following remedies, subject in all respects to the limitations set forth in Section 8.3.

- (a) Enforcement of Payments Without Termination. If the Authority does not elect to terminate this Lease in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property, or, if the Authority is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Authority. The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place the Leased Property in storage or other suitable place in the County of Alameda for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of the Leased Property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City agrees to surrender and quit possession of the Leased Property upon demand of the Authority for the purpose of enabling the Leased Property to be re-let under this paragraph, and the City further waives the right to any rental obtained by the Authority in excess of the Lease

Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Property.

- (b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Authority at its option may terminate this Lease and re-lease all or any portion of the Leased Property. If the Authority terminates this Lease at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Rental Payments. Any surplus received by the Authority from such re-leasing shall be deposited in the Bond Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Lease. The City covenants and agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.
- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy is cumulative and in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it is not necessary to give any notice, other than as expressly required in this Article VIII or by law.

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If the Authority or the City defaults under any of the provisions of this Lease and the nondefaulting party employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party; *provided, however,* that the Trustee shall not be required to expend its own funds for any payment described in this Section.

SECTION 8.5. *No Additional Waiver Implied by One Waiver.* If the Authority or the City breaches any agreement in this Lease and thereafter the other party waives the breach, such waiver is limited to the particular breach so waived and does not operate to waive any other breach hereunder.

SECTION 8.6. *Application of Proceeds.* All net proceeds received from the re-lease of the Leased Property under this Article VIII, and all other amounts derived by the Authority or the Trustee as a result of the occurrence of an Event of Default, must be paid to and applied by the Trustee in accordance with Section 7.03 of the Indenture.

SECTION 8.7. *Trustee and Bond Owners to Exercise Rights.* Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Assignment Agreement for the benefit of the Bond Owners, to which assignment the City hereby consents. The Trustee and the Bond Owners shall exercise such rights and remedies in accordance with the Indenture.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease, the City may on any date secure the payment of the Lease Payments allocable to the Leased Property in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Indenture, is either:

- (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Appendix B, or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, (which opinion must be addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due under Section 4.3(a), as the City instructs at the time of said deposit.

If the City makes a security deposit under this Section with respect to all unpaid Lease Payments, and notwithstanding the provisions of Section 4.2, (a) the Term of this Lease will continue, (b) all obligations of the City under this Lease, and all security provided by this Lease for said Lease Payments, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of said Lease Payments from such security deposit, and (c) under Section 4.7, title to the Leased Property will vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said security deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of this Lease.

SECTION 9.2. *Optional Prepayment.* The City has the option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of \$5,000, from any source of legally available funds, on any date on or after December 1, 202_, at a

prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such Interest Payment Date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of Bonds under Section 4.01(a) of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the redemption of Bonds under Section 4.01(a) of the Indenture. The City shall give written notice to the Trustee of its intention to prepay the Lease Payments under this Section in sufficient time to enable the Trustee to give notice of the corresponding redemption of Bonds in accordance with Section 4.03 of the Indenture.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The City shall prepay the principal components of the Lease Payments allocable to the Leased Property in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or eminent domain award with respect to the Leased Property theretofore deposited in the Redemption Fund for that purpose under Article VI hereof and Section 5.07 of the Indenture. Such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, will be credited towards the City's obligations under this Section and applied to the corresponding redemption of Bonds under Section 4.01(b) of the Indenture.

SECTION 9.4. *Credit for Amounts on Deposit.* If the principal components of the Lease Payments are prepaid in full under this Article IX, such that the Indenture is discharged by its terms as a result of such prepayment, at the written election of the City filed with the Trustee any or all amounts then on deposit in the Bond Fund (and the accounts therein) will be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. *Notices.* Any notice, request, complaint, demand or other communication under this Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the Authority
or the City:*

*City of Oakley
3231 Main Street
Oakley, California 94561
Attention: Finance Director
Fax: (925) 625-9859*

If to the Trustee: U.S. Bank National Association
Attn.: Global Corporate Trust Services
One California Street, Suite 1000
San Francisco, CA 94111
Fax: 415-677-3768
~~[Wells Fargo Bank, National Association~~
~~333 Market Street, 18th Floor~~
~~San Francisco, California 94105~~
~~Attention: Corporate Trust Department~~
~~Fax: (415) 371-3400]~~

SECTION 10.2. *Binding Effect.* This Lease inures to the benefit of and binds the Authority, the City and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Lease is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Lease is deemed and construed to be a "net-net-net lease" and the City hereby agrees that the Lease Payments are an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.6. *Further Assurances and Corrective Instruments.* The Authority and the City shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

SECTION 10.7. *Execution in Counterparts.* This Lease may be executed in several counterparts, each of which is an original and all of which constitute but one and the same instrument.

SECTION 10.8. *Applicable Law.* This Lease is governed by and construed in accordance with the laws of the State of California.

SECTION 10.9. *Authority and City Representatives.* Whenever under the provisions of this Lease the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given for the Authority and for the City by an Authorized Representative thereof, and any party hereto may conclusively rely upon any such approval or request.

SECTION 10.10. *Captions.* The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease.

IN WITNESS WHEREOF, the Authority and the City have caused this Lease to be executed in their respective names by their duly authorized officers, all as of the date first above written.

OAKLEY PUBLIC FINANCING AUTHORITY, as lessor

By _____
Executive Director

Attest:

Secretary

CITY OF OAKLEY, as lessee

By _____
City Manager

Attest:

City Clerk

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of Oakley, County of Contra Costa and described as follows:

**APPENDIX B
SCHEDULE OF LEASE PAYMENTS**

Lease Payment Date*	Principal Component	Interest Component	Aggregate Lease Payment
------------------------	------------------------	-----------------------	----------------------------

* Lease Payment Dates are the Business Day immediately preceding each date listed in the schedule

**SCHEDULE OF LEASE PAYMENTS RELATING TO THE REFUNDING OF THE 2006
CERTIFICATES**

<u>Lease Payment Date*</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Aggregate Lease Payment</u>
--------------------------------	--------------------------------	-------------------------------	------------------------------------

* Lease Payment Dates are the Business Day immediately preceding each date listed in the schedule

**SCHEDULE OF LEASE PAYMENTS RELATING TO THE NEW MONEY COMPONENT OF
THE BONDS**

<u>Lease Payment Date*</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Aggregate Lease Payment</u>
--------------------------------	--------------------------------	-------------------------------	------------------------------------

* Lease Payment Dates are the Business Day immediately preceding each date listed in the schedule

INDENTURE OF TRUST

Dated as of November 1, 2016

between

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

and the

OAKLEY PUBLIC FINANCING AUTHORITY

Authorizing the Issuance of

\$ _____
Oakley Public Financing Authority
2016 Lease Revenue Bonds

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APPENDIX A DEFINITIONS
APPENDIX B FORM OF BOND

INDENTURE OF TRUST

This INDENTURE OF TRUST (this "**Indenture**"), dated for convenience as of November 1, 2016, is between the OAKLEY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "**Authority**"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the "**Trustee**").

BACKGROUND:

1. The City of Oakley (the "**City**") has previously caused the execution and delivery of its 2006 Certificates of Participation (Civic Center Project) in the aggregate initial principal amount of \$8,500,000 (the "**2006 Certificates**") for the purpose of financing the construction of civic center improvements and the acquisition of related land and facilities, including a city hall, police facility improvements, parking facilities, landscaping, utilities and related facilities (the "**2006 Project**").

2. The City is proceeding to refinance its outstanding 2006 Certificates and to obtain additional funds to finance the construction of a community center and related facilities (the "**2016 Project**").

3. To that end, the City has leased the real property constituting its City Hall located at 3231 Main Street, Oakley, including both land and improvements (collectively, the "**Leased Property**"), to the Authority under a Site Lease dated as of November 1, 2016 (the "**Site Lease**"), in consideration of the payment by the Authority of an upfront rental payment (the "**Site Lease Payment**") which is sufficient to provide funds for the prepayment of the 2006 Certificates and the financing of the 2016 Project.

4. The Authority has authorized the issuance of its Oakley Public Financing Authority 2016 Lease Revenue Bonds in the aggregate principal amount of \$_____ (the "**Bonds**") under this Indenture for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has leased the Leased Property back to the City under a Lease Agreement dated as of November 1, 2016 (the "**Lease**"), under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The lease payments made by the City under the Lease have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement, dated as of November 1, 2016, between the Authority as assignor and the Trustee as assignee.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued

and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

8. The Authority has found and determined, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

A R T I C L E I

D E F I N I T I O N S ; R U L E S O F C O N S T R U C T I O N

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in that Appendix when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

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

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

ARTICLE II

THE BONDS

SECTION 2.01. *Authorization of Bonds.* The Authority has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of Bonds in the aggregate principal amount of \$_____ under the Bond Law for the purposes of providing funds to pay the Site Lease Payment to the City and thereby provide funds to prepay the 2006 Certificates and to finance the 2016 Project. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds are designated the "Oakley Public Financing Authority 2016 Lease Revenue Bonds."

SECTION 2.02. *Terms of the Bonds.*

(a) *Payment Provisions.* The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds shall mature on November 1 and May 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (May 1)	Principal Amount	Interest Rate

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate

principal amount. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section 2.03, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.04. *Book-Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Authority and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal, interest and premium, if any,

under this Indenture. Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as

provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Registration Books.* The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

SECTION 2.06. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chairman or the Executive Director of the Authority shall execute, and the Secretary of the Authority shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.07. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall

be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.07, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Issuance of the Bonds.* At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Bonds to the Original Purchaser.

SECTION 3.02. *Application of Proceeds of Sale of Bonds.* Upon the receipt of payment for the purchase price of the Bonds in the amount of \$_____ (constituting the par amount of the Bonds, plus net original issue premium in the amount of \$_____, less the discount of the Original Purchaser in the amount of \$_____), on the Closing Date, the Trustee shall deposit the proceeds thereof as follows:

- (a) The Trustee shall deposit the amount of \$_____ into the Costs of Issuance Fund.
- (b) The Trustee shall deposit \$_____ in the Reserve Account, which amount equals the Reserve Requirement.
- (c) The Trustee shall deposit the amount of \$_____ to the Refunding Fund.
- (d) The Trustee shall deposit the amount of \$_____ to the Project Fund.

SECTION 3.03. *Establishment and Application of Project Fund.*

(a) The Trustee shall establish a special fund designated as the "Project Fund." The Trustee shall keep such fund separate and apart from all other funds and moneys held by the Trustee, and shall administer such fund as provided herein. There shall be deposited into the Project Fund from the proceeds of the Bonds the amounts required to be deposited therein pursuant to Section 3.02(d).

(b) Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered Written Request of the City. Such requisition shall:

(i) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Project Costs and the person or persons to whom said amounts are to be disbursed; and

(ii) state that the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the City, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment.

The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 5.08 hereof) of the moneys held in the Project Fund, and the payment thereof in accordance with this Section 3.03, but the Trustee shall not be responsible for the truth or accuracy of such requisitions and shall be under no duty to investigate or verify any statements made therein.

(c) Upon completion (or otherwise when the City determines that it no longer needs amounts in the Project Fund for payment of Project Costs), the City shall file a Certificate of City with the Trustee to such effect, and the Trustee shall transfer any moneys in the Project Fund to the Bond Fund. Thereupon, the Project Fund shall be closed.

SECTION 3.04. *Establishment and Application of Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon. On April 15, 2017, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account and shall thereupon close the Costs of Issuance Fund.

SECTION 3.05. *Establishment and Application of Refunding Fund.* The Trustee will establish, maintain and hold in trust the Refunding Fund, and the moneys deposited in said fund pursuant to Section 3.02(c) will be disbursed and applied only as hereinafter authorized. Amounts on deposit in the Refunding Fund shall be transferred to the 2006 Trustee to be used as provided in the 2006 Refunding Instructions. Upon making such transfer, the Trustee shall close the Refunding Fund.

SECTION 3.06. *Validity of Bonds.* The recital contained in the Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. *Terms of Redemption.*

(a) Optional Redemption. The Bonds maturing on or before May 1, 202__, are not subject to optional redemption prior to their stated maturity. The Bonds maturing on or after May 1, 202__, are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on May 1, 202__, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Authority must give the Trustee written notice of its intention to redeem Bonds under this subsection (a), and the manner of selecting such Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with Section 4.03.

(b) Special Mandatory Redemption From Insurance or Condemnation Proceeds. The Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in Section 5.07, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

(c) Sinking Account Redemption. The Term Bonds are also subject to mandatory sinking account prepayment by lot on May 1 in each year as set forth in the following tables, from sinking fund payments made by the Authority to the Principal Account pursuant to Section 4.03(b), at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest on the Bonds to be redeemed to the date set for redemption, without premium, as follows:

**Term Bonds Maturing
May 1, 20__**

Sinking Fund Prepayment Date <u>(May 1)</u>	Principal Amount <u>To Be Prepaid</u>
---	--

**Term Bonds Maturing
May 1, 20__**

Sinking Fund Prepayment Date <u>(May 1)</u>	Principal Amount <u>To Be Prepaid</u>
---	--

Notwithstanding the foregoing provisions of this subsection (c), if some but not all of the Term Bonds are redeemed under any of the preceding provisions of this Section 3.01, the aggregate principal amount of the Term Bonds to be prepaid in each year thereafter under this subsection (c) shall be reduced by the aggregate principal amount of Term Bonds so prepaid, to be allocated among sinking fund payments on a pro rata basis in integral multiples of \$5,000.

SECTION 4.02. *Selection of Bonds for Redemption.* Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

SECTION 4.03. *Notice of Redemption; Rescission.* The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board as provided in the Continuing Disclosure Certificate. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each

of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered to the Trustee. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of the redemption of Bonds under Section 4.01(a) by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

SECTION 4.04. *Partial Redemption of Bonds.* Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

SECTION 4.05. *Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. *Security for the Bonds; Bond Fund.*

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under Sections 4.5, 5.10, 7.3 and 8.4 thereof). The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under Article X, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

SECTION 5.02. *Allocation of Revenues.* On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

- (b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including by mandatory sinking account payments pursuant to Section 3.01(c).
- (c) Deposit to Reserve Account. The Trustee shall deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.

SECTION 5.03. *Application of Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

SECTION 5.04. *Application of Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

SECTION 5.05. *Application of Reserve Account.* All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying principal of or interest on the Bonds when due and payable, to the extent that moneys deposited in the Interest Account or the Principal Account are not sufficient for such purpose, and (ii) making the final payments of principal of and interest on the Bonds. If the amounts on deposit in the Reserve Account are insufficient at any time to pay the full amount of principal of and interest on the Bonds then required to be paid from the Reserve Account, the Trustee shall apply such amounts first, to the payment of interest and second, to the payment of principal.

If at any time the amounts on deposit in the Reserve Account are sufficient to enable the Authority to pay or redeem all of the Outstanding Bonds and the interest thereon, the Trustee shall apply the amounts in the Reserve Account for that purpose at the Written Request of the Authority. On the date on which all Bonds are retired hereunder or provision is made therefor under Article X, after payment of any amounts then owed to the Trustee, all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the City as a refund of overpaid Lease Payments.

If the amount held in the Reserve Account on May 1 or November 1 in any year is excess of the Reserve Requirement, the Trustee shall transfer such amount to the Bond Fund to be applied in accordance with Section 5.02.

SECTION 5.06. *Application of Redemption Fund.* The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received, in accordance with a Written Request of the Authority, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under Section 4.01; *provided, however,* that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale,

when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed under a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds. The Trustee shall be entitled to conclusively rely on any Written Request of the Authority received under this Section 5.06, and shall be fully protected in relying thereon.

SECTION 5.07. *Insurance and Condemnation Fund.*

(a) Establishment of Fund. Upon the receipt of proceeds of insurance or eminent domain with respect to the Leased Property, the Trustee shall establish and maintain an Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section 5.07.

(b) Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction shall be paid to the Trustee under Section 6.3 of the Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds under Section 4.01(b). Notwithstanding the foregoing sentence, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance shall be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to redeem Outstanding Bonds equal in aggregate principal amount to the unpaid Lease Payments allocable to the Leased Property. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of a Written Request of the City which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund and has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City. The Trustee shall be entitled to conclusively rely on any Written Request or Written Certificate received under this subsection (b) of this Section 5.07 and in each case, shall be fully protected in relying thereon.

(c) Application of Eminent Domain Proceeds. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Authority shall deposit or cause to be deposited with the Trustee the Net Proceeds therefrom, which the Trustee shall deposit in the Insurance and Condemnation Fund under Section 6.2(b) of the Lease and which shall be applied and disbursed by the Trustee as follows:

- (i) If the City has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with

the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds under Section 4.01(b).

- (ii) If the City has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

In each case, the Trustee may conclusively rely upon any notice received under this subsection (c)(ii) of this Section and is protected in relying thereon.

(d) Reliance on Independent Advice. In making any such determination whether to repair, replace or rehabilitate the Leased Property under this Section 5.07, the City may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. The Trustee shall have no duty to review or examine such report. Any such determination by the City is final.

SECTION 5.08. *Investments.* All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority in a Written Request of the Authority filed with the Trustee at least 2 Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments which constitute money market funds; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the Authority specifying a specific money market fund and, if no such Written Request of the Authority is so received, the Trustee shall hold such moneys uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund, *provided, however,* that earnings on the investment of the amount in the Reserve Account shall be retained therein to the extent required to maintain the Reserve Requirement, and otherwise shall be transferred to the Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section 5.08.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Trustee shall furnish the Authority periodic cash transaction statements which shall include detail for all investment transactions effected by the Trustee. Upon the Authority's election, such statements will be delivered via the Trustee providing the Authority with online access to the Trustee's system with respect to this Indenture and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 5.09. Valuation and Disposition of Investments.

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued by the Authority at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Authority shall inform the Trustee in writing which funds (other than the Reserve Account) are subject to a yield restriction.

(c) Except for the Reserve Account and any other funds or accounts described in subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before July 15. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it is necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section 5.09, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a

bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. *Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this Section 6.02 limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. *Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. *Power to Issue Bonds and Make Pledge and Assignment.* The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture and under the Assignment Agreement in the manner and to the extent provided in this Indenture and the Assignment Agreement. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever. The Authority shall take all actions necessary to assure the continued validity of the Bonds, including any actions that are necessary to maintain its existence.

SECTION 6.05. *Accounting Records.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. *Limitation on Additional Obligations.* Except as otherwise provided in Section 7.5(v) of the Lease, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 6.07. *Tax Covenants.*

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from amounts paid by the City for that purpose under Section 4.5(d) of the Lease. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

SECTION 6.08. *Enforcement of Lease.* The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Lease. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease.

SECTION 6.09. *Waiver of Laws.* The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. *Further Assurances.* The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. *Events of Default.* The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and

requiring the same to be remedied, has been given to the Authority by the Trustee; provided, however, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Lease.

SECTION 7.02. *Remedies Upon Event of Default.* If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. *Application of Revenues and Other Funds After Default.* If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal

attorneys) incurred in and about the performance of its powers and duties under this Indenture;

- (b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

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

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

SECTION 7.04. *Trustee to Represent Bond Owners.* The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.05. *Limitation on Bond Owners' Right to Sue.* Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Lease or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the

Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

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

SECTION 7.06. *Absolute Obligation of Authority.* Nothing herein or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. *Termination of Proceedings.* In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee, to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. *No Waiver of Default.* No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

SECTION 7.10. *Notice to Bond Owners of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. *Appointment of Trustee.* U.S. Bank National Association is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII, so long as any Bonds are Outstanding.

SECTION 8.02. *Acceptance of Trusts; Removal and Resignation of Trustee.* The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee. If an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by hereunder, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.
- (b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

- (c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.
- (d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (d), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority, to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to the Leased Property held by such predecessor Trustee under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

- (e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.03. *Merger or Consolidation.* Any bank, national banking association, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Lease (including any right to receive moneys thereunder or the value of or title to the premises upon which the Leased Property is located), nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

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

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Lease or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Lease, other than the covenants of the City to make Lease Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights under the Lease to the Trustee under the Assignment Agreement.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease or this Indenture for the existence, furnishing or use of the Leased Property.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee is authorized and directed to execute the Assignment Agreement in its capacity as Trustee hereunder.

(n) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail (provided, that for purposes of this Agreement, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder), facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(o) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force

majeure shall include, but not be limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

SECTION 8.05. *Right to Rely on Documents.* The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

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

SECTION 8.06. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. *Compensation and Indemnification.* The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or

liability in connection with the exercise or performance of any of its powers hereunder or under the Assignment Agreement or the Lease. As security for the performance of the obligations of the Authority under this Section 8.07 and the obligation of the Authority to make Additional Rental Payments to the Trustee, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section 8.07 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Lease.

ARTICLE IX

MODIFICATION OR AMENDMENT HEREOF

SECTION 9.01. *Amendments Permitted.*

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
- (iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;
- (iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code; or
- (v) to facilitate the issuance of additional obligations of the City under the Lease Agreement as provided in Section 7.5(b)(v) thereof.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 9.01.

SECTION 9.02. *Effect of Supplemental Indenture.* Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. *Endorsement of Bonds; Preparation of New Bonds.* Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such

Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

SECTION 9.04. *Amendment of Particular Bonds.* The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

ARTICLE X

DEFEASANCE

SECTION 10.01. *Discharge of Indenture.* Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely

on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

SECTION 10.02. *Discharge of Liability on Bonds.* Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

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

SECTION 10.03. *Deposit of Money or Securities with Trustee.* Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to

the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. *Unclaimed Funds.* Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for 2 years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. *Liability of Authority Limited to Revenues.* Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues, the Additional Rental Payments and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. *Limitation of Rights to Parties and Bond Owners.* Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

SECTION 11.03. *Funds and Accounts.* Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate industry standards to the extent practicable, and with due

regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.04. *Waiver of Notice; Requirement of Mailed Notice.* Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.05. *Destruction of Bonds.* Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee shall destroy such Bonds as may be allowed by law and deliver a certificate of such destruction to the Authority.

SECTION 11.06. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. *Notices.* All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the Authority
or the City:*

City of Oakley
3231 Main Street
Oakley, California 94561
Attention: Finance Director
Fax: (925) 625-9859

If to the Trustee:

U.S. Bank National Association
Attn.: Global Corporate Trust Services
One California Street, Suite 1000
San Francisco, CA 94111
Fax: 415-677-3768

SECTION 11.08. *Evidence of Rights of Bond Owners.* Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

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

SECTION 11.09. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority shall certify to the Trustee those Bonds disqualified under this Section 11.09, and the Trustee may conclusively rely on such certifications.

SECTION 11.10. *Money Held for Particular Bonds.* The money held by the Trustee for the payment of the interest, premium, if any, or principal due on any date

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

SECTION 11.11. *Waiver of Personal Liability.* No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.12. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Indenture either the Authority, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.13. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. *Payment on Non-Business Day.* In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.15. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the OAKLEY PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and U.S. BANK NATIONAL ASSOCIATION], in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**OAKLEY PUBLIC FINANCING
AUTHORITY**

By _____
Executive Director

Attest:

Secretary

U.S. BANK NATIONAL ASSOCIATION],
as Trustee

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

"Additional Rental Payments" means the amounts of additional rental payments which are payable by the City under Section 4.5 of the Lease or which are otherwise identified as Additional Rental Payments under the Lease.

"Assignment Agreement" means the Assignment Agreement dated as of November 1, 2016, between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended.

"Authority" means the Oakley Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

"Authorized Representative" means: (a) with respect to the Authority, its Chairman, Vice Chairman, Executive Director, Treasurer, General Counsel or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, Vice Mayor, City Manager, Finance Director or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its City Manager and filed with the Authority and the Trustee.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Fund" means the fund by that name established and held by the Trustee under Section 5.01.

"Bond Law" means Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code.

"Bond Year" means each twelve-month period extending from May 2 in one calendar year to May 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including May 1, 2017.

"Bonds" means the \$_____ aggregate principal amount of Oakley Public Financing Authority 2016 Lease Revenue Bonds authorized by and at any time Outstanding under this Indenture.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the City in which the Office of the Trustee is located.

"City" means the City of Oakley, a municipal corporation organized and chartered city organized and existing under the Constitution and laws of the State of California.

"Closing Date" means the date of delivery of the Bonds to the Original Purchaser.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds and the refunding of the 2006 Certificates, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and their respective counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the 2006 Certificates.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.04.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events specified in Section 7.01.

"Excess Investment Earnings" means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the

City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee under Section 5.07.

"Interest Account" means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

"Interest Payment Date" means each May 1 and November 1, commencing May 1, 2017, so long as any Bonds remain unpaid.

"Lease" means the Lease Agreement dated as of November 1, 2016, between the Authority as lessor and the City as lessee of the Leased Property, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

"Lease Payment Date" means, with respect to any Interest Payment Date, the Business Day immediately preceding such Interest Payment Date.

"Lease Payments" means the amounts payable by the City under Section 4.3(a) of the Lease, including any prepayment thereof and including any amounts payable upon a delinquency in the payment thereof.

"Leased Property" means the real property described in Appendix A to the Lease, together with all improvements and facilities at any time situated thereon.

"Net Proceeds" means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

"Office" means the corporate trust office of the Trustee in San Francisco, California. Any such office or offices may be re-designated by the Trustee from time to time pursuant to written notice filed with the City and the Authority.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding", when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or

exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture.

"Owner", whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article V of the Lease; (b) the Site Lease, the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

"Permitted Investments" means any of the following:

- (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged.
- (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (d) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or secured at all times by collateral described in (a) or (b) above.
- (e) Commercial paper rated "A-1+" or better by S&P.
- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P.

- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (h) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (i) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- (j) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (k) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event either of such ratings at any time falls below A.
- (l) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.
- (m) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, provided the Trustee has access to, and control over withdrawals from and deposits to, such trust.

"Principal Account" means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

"Project Costs" means, with respect to the 2016 Project, all costs of the acquisition and construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition and construction of the 2016 Project;

- (b) obligations incurred for labor and materials in connection with the acquisition and construction of the 2016 Project;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition and construction of the 2016 Project;
- (d) all costs of engineering, architectural services and other preliminary investigation expenses, including the actual out-of-pocket costs for site investigations, surveys, hazardous materials investigations, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition and construction of the 2016 Project;
- (e) any sums required to reimburse the Authority or the City for advances made for any of the above items or for any other costs incurred and for work done, including but not limited to administrative costs of the Authority or the City, which are properly chargeable to the acquisition and construction of the 2016 Project;
- (f) all financing costs incurred in connection with the acquisition and construction of the 2016 Project, including but not limited to Costs of Issuance and other costs incurred in connection with this Trust Agreement and the financing of the 2016 Project; and
- (g) the interest components of the Lease Payments prior to the Completion Date.

"Project Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established and held by the Trustee under Section 5.06.

"Registration Books" means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the Bonds.

"Reserve Account" means the fund by that name established and held by the Trustee under Section 5.02.

"Reserve Requirement" means, as of the date of calculation thereof, an amount equal to the least of (a) 10% of the principal amount of the Bonds, determined in accordance with the Tax Code, (b) the maximum amount of principal of and interest on the Bonds coming due and payable on the Bonds in the current or any future Bond Year,

or (c) 125% of the average amount of principal of and interest on the Bonds coming due and payable on the Bonds in the current or any future Bond Year.

"Revenues" means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in Section 7.5(b)(v)(A) of the Lease, and (ii) any Additional Rental Payments; and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in written notice filed with the Trustee.

"Site Lease" means the Site Lease dated as of November 1, 2016, between the City as lessor and the Authority as lessee, as amended from time to time in accordance with its terms.

"Site Lease Payment" means the amount of \$_____ which is payable by the Authority to the City on the Closing Date under Section 3 of the Site Lease.

"S&P" means Standard & Poor's, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Term" means, with reference to the Lease, the time during which the Lease is in effect, as provided in Section 4.2 thereof.

"Term Bonds" means the Bonds maturing May 1, 20__ and May 1, 20__.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

"2006 Certificates" means the outstanding 2006 Certificates of Participation (Civic Center Project) originally executed and delivered in the aggregate principal amount of \$8,500,000.

"2006 Refunding Instructions" means the Irrevocable Refunding Instructions dated as of November 1, 2016 given by the Authority and the City to the 2006 Trustee.

"2006 Trustee" means Wells Fargo Bank, National Association, its successors and assigns, as trustee for the 2006 Certificates.

"Written Certificate," "Written Request" and "Written Requisition" of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Trustee"). Interest hereon is payable by check of the Trustee mailed to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Oakley (the "City"), the County of Contra Costa, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Oakley Public Financing Authority 2016 Lease Revenue Bonds" (the "Bonds"), in an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code, and under an Indenture of Trust dated as of November 1, 2016, between the Authority and the Trustee (the "Indenture") and a resolution of the Authority adopted on November [8], 2016, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to refinance certain outstanding Certificates of Participation of the City and to provide funds to finance a capital project of the City. This Bond and the interest and premium, if any, hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of lease payments made by the City under a Lease Agreement dated as of November 1, 2016, between the Authority as lessor and the City as lessee (the "Lease"). As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before May 1, 202_, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after May 1, 202_, are subject to redemption in whole, or in part at the request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after May 1, 202_, from any available source of funds, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, without premium.

The Bonds are subject to redemption as a whole, or in part by lot, on any date, to the extent of any net proceeds of hazard or title insurance with respect to the property which has been leased under the Lease (the "Leased Property") or any portion thereof which are not used to repair or replace the Leased Property pursuant to the Lease, or to the extent of any net proceeds arising from the disposition of the Leased Property or any portion thereof in eminent domain proceedings which the City elects to be used for such purpose pursuant to the Lease, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 30 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption. Notice of any optional redemption of the Bonds may be rescinded under the circumstances set forth in the Indenture, upon notice to the owners of such Bonds.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE

HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Ordinance and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Ordinance or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

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

IN WITNESS WHEREOF, the Oakley Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

**OAKLEY PUBLIC FINANCING
AUTHORITY**

By _____
Executive Director

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

U.S. BANK NATIONAL ASSOCIATION],
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

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

Dated: _____

Signature Guaranteed:

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

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

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall
A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Stephen G. Melikian, Esq.

THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE
CALIFORNIA GOVERNMENT CODE.

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this "**Agreement**"), dated for convenience as of November 1, 2016, is between the OAKLEY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "**Authority**"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "**Trustee**").

BACKGROUND:

1. The City of Oakley (the "**City**") has previously caused the execution and delivery of its 2006 Certificates of Participation (Civic Center Project) in the aggregate initial principal amount of \$8,500,000 (the "**2006 Certificates**") for the purpose of financing the construction of civic center improvements and the acquisition of related land and facilities, including a city hall, police facility improvements, parking facilities, landscaping, utilities and related facilities (the "**2006 Project**").

2. The City is proceeding to refinance its outstanding 2006 Certificates and to obtain additional funds to finance the construction of a community center and related facilities (the "**2016 Project**").

3. To that end, the City has leased the real property constituting its City Hall, located at 3231 Main Street, Oakley, including both land and improvements (collectively, the "**Leased Property**"), to the Authority under a Site Lease dated as of November 1, 2016 (the "**Site Lease**"), in consideration of the payment by the Authority of an upfront rental payment (the "**Site Lease Payment**") which is sufficient to provide funds for the prepayment of the 2006 Certificates and the financing of the 2016 Project.

4. The Authority has authorized the issuance of its Oakley Public Financing Authority 2016 Lease Revenue Bonds in the aggregate principal amount of \$_____ (the "**Bonds**") under the Indenture of Trust dated as of November 1, 2016 (the "**Indenture**") between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**") for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has leased the Leased Property back to the City under a Lease Agreement dated as of November 1, 2016 (the "**Lease**"), under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The Authority has requested the Trustee to enter into this Agreement for the purpose of assigning certain of its rights under the Lease to the Trustee for the benefit of the Bond owners.

A G R E E M E N T :

In consideration of the material covenants contained in this Agreement, the parties hereto hereby formally covenant, agree and bind themselves as follows:

SECTION 1. *Defined Terms.* All capitalized terms not otherwise defined herein have the respective meanings given those terms in the Indenture.

SECTION 2. *Assignment.* The Authority hereby assigns to the Trustee, for the benefit of the Owners of all Bonds that are issued and Outstanding under the Indenture, all of the Authority's rights under the Lease (excepting only the Authority's rights under Sections 4.5, 5.10, 7.3 and 8.4 of the Lease), including but not limited to:

- (a) the right to receive and collect all of the Lease Payments from the City under the Lease;
- (b) the right to receive and collect any proceeds of any insurance maintained thereunder with respect to the Leased Property, or any eminent domain award (or proceeds of sale under threat of eminent domain) paid with respect to the Leased Property; and
- (c) the right to exercise such rights and remedies conferred on the Authority under the Lease as may be necessary or convenient (i) to enforce payment of the Lease Payments and any amounts required to be deposited in the Insurance and Condemnation Fund established under Section 5.07 of the Indenture, or (ii) otherwise to protect the interests of the Bond Owners in the event of a default by the City under the Lease.

The Trustee shall administer all of the rights assigned to it by the Authority under this Agreement in accordance with the provisions of the Indenture, for the benefit of the Owners of Bonds. The assignment made under this Section 2 is absolute and irrevocable, and without recourse to the Authority.

SECTION 3. *Acceptance.* The Trustee hereby accepts the assignments made herein for the purpose of securing the payments due under the Lease and Indenture to, and the rights under the Lease and Indenture of, the Owners of the Bonds, all subject to the provisions of the Indenture. The recitals contained herein are those of the Authority and not of the Trustee, and the Trustee assumes no responsibility for the correctness thereof.

SECTION 4. *Conditions.* This Agreement confers no rights and imposes no duties upon the Trustee beyond those expressly provided in the Indenture. The assignment hereunder to the Trustee is solely in its capacity as Trustee under the Indenture.

SECTION 5. *Execution in Counterparts.* This Agreement may be executed in any number of counterparts, each of which is an original and all together constitute one and the same agreement. Separate counterparts of this Agreement may be separately executed by the Trustee and the Authority, both with the same force and effect as though the same counterpart had been executed by the Trustee and the Authority.

SECTION 6. *Binding Effect.* This Agreement inures to the benefit of and binds the Authority and the Trustee, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 7. *Successor Trustee.* In the event that a successor Trustee is appointed pursuant to Section 8.02 of the Indenture or otherwise, this Agreement shall inure to the benefit of such successor Trustee, and shall no longer inure to the benefit of the Trustee that has resigned or been removed or otherwise replaced.

SECTION 8. *Governing Law.* This Agreement is governed by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officers as of the day and year first written above.

OAKLEY PUBLIC FINANCING AUTHORITY

By _____
Executive Director

Attest:

Secretary

**U.S. BANK NATIONAL ASSOCIATION, as
Trustee**

By _____
Vice President

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of Oakley, County of Contra Costa and described as follows:

IRREVOCABLE REFUNDING INSTRUCTIONS

Relating to:

City of Oakley
2006 Certificates of Participation
(City Center Project)

These IRREVOCABLE REFUNDING INSTRUCTIONS (these "Instructions") are dated as of November 1, 2016 and are given by the OAKLEY PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), and the CITY OF OAKLEY, a municipal corporation and chartered city duly organized and existing under the laws of the State of California (the "City") to WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee for the 2006 Certificates described below (the "2006 Trustee").

BACKGROUND

1. The Authority is issuing \$_____ aggregate principal amount of its 2016 Lease Revenue Bonds (the "2016 Bonds") pursuant to an Indenture dated as of November 1, 2016 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee for the 2016 Bonds (the "2016 Trustee").

3. The 2016 Bonds are being issued for the purpose, among others, of providing moneys sufficient to prepay the outstanding City of Oakley 2006 Certificates of participation (Civic Center Project) (the "2006 Certificates").

4. The 2006 Certificates are currently subject to prepayment on any date commencing, and the Authority and the City have determined to prepay the 2006 Certificates on _____, 2017.

5. In order to accomplish the prepayment of the outstanding 2006 Certificates, the City will deposit, or cause to be deposited, a portion of the proceeds of the 2016 Bonds and certain other moneys with the 2006 Trustee in accordance with these Instructions.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. Creation of Escrow Fund. The 2006 Trustee is directed to establish a special and irrevocable escrow fund (the "Escrow Fund") to be held in the custody of the 2006 Trustee in trust for the benefit of the owners of the 2006 Certificates. The Escrow Fund will be held in trust solely for the benefit of the owners of the 2006 Certificates and the moneys and securities held in the Escrow Fund will be irrevocably set aside for the payment of the 2006 Certificates as provided herein. The Authority will have no interest in the funds or investments held in the Escrow Fund.

Section 2. Deposit to the Escrow Fund; Investment. The 2006 Trustee will deposit the amount of \$_____ in the Escrow Fund, with \$_____ to be derived from the proceeds of the 2016 Bonds, and \$_____ to be derived from a release of cash on

deposit in the 2006 Trust Agreement (defined below) relating to the 2006 Certificates. [The 2006 Trustee shall hold amounts on deposit in the Escrow Fund in cash, univesterd.][The 2006 Trustee will, on [November __, 2016, use \$ _____ of such amount to purchase certain securities and investments for the Escrow Fund, all as listed on Schedule A attached hereto and made a part hereof (which securities the Authority and the City represent are non-callable Federal Securities, as defined in the Trust Agreement dated as of December 1, 2006 (the "2006 Trust Agreement") among the 2006 Trustee, the Authority and the City) maturing on the dates and in the amounts necessary to make the transfers described in Section 3, and will retain \$_____ in cash in the Escrow Fund.]

Section 3. Instructions as to Payment of 2006 Certificates. The 2006 Trustee will apply the amounts held in the Escrow Fund for the sole purposes of prepaying all of the 2006 Certificates maturing on and after May 1, 2017 on _____ __, 201__, as set forth in Schedule B hereto, at a price equal to the par amount thereof, plus accrued interest.

The 2006 Trustee has no lien upon or right of set off against the securities and cash at any time on deposit in the Escrow Fund. Any moneys remaining in the Escrow Fund following prepayment of the 2006 Certificates as described above will be transferred to the 2016 Trustee for deposit in the Bond Fund relating to the 2016 Bonds.

Section 4. Notice of Prepayment; Irrevocable Election to Prepay.

(a) The Authority hereby instructs the 2006 Trustee to give notice of the prepayment of the 2006 Certificates identified in Schedule B hereto in accordance with the requirements of Section 4.03 of the 2006 Trust Agreement. Simultaneous with the giving of the notice of prepayment, the 2006 Trustee shall post the notice of prepayment to the Municipal Securities Rulemaking Board Electronic Municipal Market Access (EMMA) system accessible at the emma.msrb.org website.

(b) In accordance with Section 13.01 of the 2006 Trust Agreement and Section 9.1 of the Lease Agreement dated as of May 1, 2006 (the "2006 Lease") between the Authority, as lessor, and the City, as lessee, the Authority and the City hereby signify that, by making the deposits in the Escrow Fund described in Section 2 above, they are discharging the 2006 Certificates identified in Schedule B. The Authority and the City further acknowledge that such deposit constitutes a full prepayment of the outstanding Lease Payments under the 2006 Lease.

Section 5. Compensation of 2006 Trustee. For acting under these Instructions, the 2006 Trustee will be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the 2006 Trustee in connection with its services under these Instructions; however, such amount will never be payable from or become a lien upon the Escrow Fund.

Section 6. Application of Certain Terms of 2006 Trust Agreement. All of the terms of the 2006 Trust Agreement relating to the payment and prepayment of principal of and interest and prepayment premium, if any, on the 2006 Certificates, and the protections, immunities and limitations from liability afforded the 2006 Trustee, are incorporated in these Instructions as if set forth in full herein.

Section 7. Counterparts. These Instructions may be signed in several counterparts, each of which will constitute an original, but all of which will constitute one and the same instrument.

**OAKLEY PUBLIC FINANCING
AUTHORITY**

By: _____
Executive Director

CITY OF OAKLEY

By _____
City Manager

Accepted:

WELLS FARGO. BANK, NATIONAL ASSOCIATION,
as 2006 Trustee

By: _____
Authorized Signatory

SCHEDULE A

ESCROW FUND

<u>Type</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Amount</u>	Total Purchase <u>Price</u>
United States Treasury Security -- State and Local Government Series				

SCHEDULE B

CITY OF OAKLEY 2006 CERTIFICATES OF PARTICIPATION (CIVIC CENTER PROJECT) (Base CUSIP† Number: 673634)

<u>Maturity Date</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP†</u>
2017	\$ 285,000	4.000%	AK7
2018	300,000	4.000	AL5
2019	310,000	4.000	AM3
2020	325,000	4.000	AN1
2021	335,000	4.000	AP6
2022	350,000	4.100	AQ4
2023	365,000	4.200	AR2
2024	380,000	4.250	AS0
2025	400,000	4.250	AT8
2026	420,000	4.375	AU5
2028	895,000	4.400	AW1
2030	975,000	4.500	AT8
2032	1,075,000	4.500	BA8

* To be paid at maturity.

† CUSIP® is a registered trademark of the American Bankers Association. Copyright© 2016 Standard & Poor's, a Division of the McGraw Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority, or the Underwriter take any responsibility for the accuracy of such numbers.

§ _____
**OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS**

BOND PURCHASE CONTRACT

November __, 2016

Oakley Public Financing Authority
3231 Main Street
Oakley, California 94561
Attention: Executive Director

City of Oakley
3231 Main Street
Oakley, California 94561
Attention: City Manager

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) offers to enter into this Bond Purchase Contract (this “**Purchase Contract**”) with the Oakley Public Financing Authority (the “**Authority**”) and the City of Oakley (the “**City**”). This offer is made subject to the Authority’s and the City’s acceptance by execution of this Purchase Contract and delivery of the same to the Underwriter on or before 11:59 p.m. on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to such acceptance. Upon the Authority’s and the City’s acceptance hereof, the Purchase Contract will be binding upon the Authority, the City and the Underwriter. Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings given to such terms in the Indenture (as such term is defined below).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$ _____ Oakley Public Financing Authority 2016 Lease Revenue Bonds (the “**Bonds**”) at a purchase price of \$ _____ (being an amount equal to the principal amount of the Bonds plus a net original issue premium of \$ _____ and less an Underwriter’s discount of \$ _____). The obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be conditioned on the sale and delivery of all of the Bonds by the Authority to the Underwriter at Closing (as such term is defined herein).

Section 2. Bond Terms; Authorizing Instruments. (a) The Bonds shall be dated their date of delivery and shall mature and bear interest as set forth on Exhibit A. The Bonds shall be as described in, and shall be issued and secured under, an Indenture of Trust (the “**Indenture**”), dated as of November 1, 2016, between the Authority and [Wells Fargo Bank National Association], as

trustee (the "Trustee"). The Bonds are payable and subject to redemption as provided in the Indenture and as described in the Official Statement (as such term is defined herein).

(b) The Bonds will be issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584, and are payable from and secured by the Authority's pledge of "Revenues" under and as defined in the Indenture, consisting primarily of Lease Payments to be made by the City to the Authority pursuant to a Lease Agreement, dated as of November 1, 2016 (the "Lease"), by and between the Authority and the City.

(c) The net proceeds of the sale of the Bonds will be used: (i) to refinance the outstanding 2006 Certificates of Participation (Civic Center Project) of the City (the "2006 Certificates"); (ii) to fund a reserve account for the Bonds; and (iii) to pay costs incurred in connection with the issuance of the Bonds.

Section 3. Public Offering. The Underwriter agrees to make an initial bona fide public offering of all of the Bonds, at not in excess of the initial public offering yields or prices set forth on Exhibit A. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriter. The City and the Authority acknowledge and agree that: (a) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City, the Authority and the Underwriter, and the only obligations that the Underwriter has to the City and the Authority with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the City or the Authority; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City or the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City or the Authority on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the City or the Authority; and (e) the City and the Authority have consulted their own legal, financial, accounting, tax and other advisors to the extent that they have deemed appropriate.

Section 4. Official Statement; Continuing Disclosure. (a) The Authority and the City have delivered to the Underwriter the Preliminary Official Statement dated _____, 2016 (the "Preliminary Official Statement") and will deliver to the Underwriter the final Official Statement dated the date of this Purchase Contract (as amended and supplemented from time to time pursuant to Section 5(i) of this Purchase Contract, the "Official Statement") within seven business days.

(b) The Authority and the City authorize the use of the Official Statement and the information contained therein by the Underwriter in connection with the public offering and the sale of the Bonds. The Authority and the City consent to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Underwriter agrees that it will not send any confirmation requesting payment for the purchase of any Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Underwriter agrees: (i) to provide the Authority with final pricing information on the Bonds on a timely basis prior to the Closing; and (ii) to take any and all other actions necessary to comply with applicable rules of the Securities and Exchange Commission (the

“SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”) governing the offering, sale and delivery of the Bonds to ultimate purchasers.

(c) In connection with the issuance of the Bonds, and in order to assist the Underwriter in complying with the provisions of SEC Rule 15c2-12 (“**Rule 15c2-12**”), the City will execute and deliver a Continuing Disclosure Certificate on behalf of itself and the Authority (the “**Continuing Disclosure Undertaking**”) dated the date of the Closing, under which the City will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Undertaking is attached as an appendix to the Preliminary Official Statement.

Section 5. Representations, Warranties and Covenants of the Authority. The Authority hereby represents, warrants and agrees with the Underwriter that:

(a) The Board of Directors (the “**Board**”) of the Authority has taken official action by resolution (the “**Authority Resolution**”) adopted by a majority of the members of the Board at a regular meeting that was duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of: (i) the Indenture; (ii) the Lease; (iii) the Site Lease, dated as of November 1, 2016 (the “**Site Lease**”), between the City and the Authority; (iv) this Purchase Contract; (v) the Irrevocable Refunding Instructions, dated as of November 1, 2016 (the “**Refunding Instructions**”), given by the City and the Authority to Wells Fargo Bank, National Association, as trustee for the 2006 Certificates (the “**2006 Trustee**”); (vi) the Assignment Agreement, between the Authority and the Trustee, dated as of November 1, 2016 (the “**Assignment Agreement**” and collectively, the “**Authority Agreements**”) and (vii) the Official Statement, and the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions that are contemplated hereby.

(b) The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “**State**”) and has all necessary power and authority to adopt the Authority Resolution and to enter into and perform its duties under the Authority Agreements.

(c) By all necessary official action, the Authority has: (i) duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement; (ii) duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Bonds and the Authority Agreements; and (iii) duly authorized the consummation by the Authority of all other transactions contemplated by the Authority Resolution, the Authority Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered, the Authority Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the Authority, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the Authority’s acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement under the caption “THE AUTHORITY” does not and will not contain any untrue statement of a

material fact or omit to state a material fact that is 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.

(e) As of the date hereof, except as described in the Preliminary Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body that is pending against, and notice of which has been served on and received by, the Authority, or, to the best knowledge of the Authority, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of the Authority Agreements or the Bonds or the exclusion of the interest on the Bonds from taxation; or (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the Authority is a party relating to the Bonds.

(f) There is no consent, approval, authorization or other order of, filing or registration with, or certification by, any regulatory authority having jurisdiction over the Authority that is required for the execution and delivery of this Purchase Contract and the other Authority Agreements or the consummation by the Authority of the other transactions contemplated by the Official Statement or the Authority Agreements.

(g) Any certificate that is signed by any official of the Authority who is authorized to do so shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(h) The Authority is not in default, and at no time has the Authority defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i) If any event occurs of which the Authority has knowledge between the date of this Purchase Contract and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact that is 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, the Authority shall notify the Underwriter and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter. All expenses thereby incurred will be paid by the Authority, and the Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with the MSRB's Electronic Municipal Market Access database ("EMMA").

(j) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order: (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions. The Authority will not be required to execute a general or special consent to service of process or to qualify to do business in connection with any such qualification or determination in any jurisdiction.

(k) The Authority is not in any material respect in breach of or default under: (i) any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either; (ii) any applicable judgment or decree; or (iii) any loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the Authority is a party, which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Authority Agreements, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Authority Agreements, if applicable, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Agreements.

(l) Except as set forth in the Official Statement under the caption "CONTINUING DISCLOSURE," the Authority has complied in all material respects with its continuing disclosure undertakings in the past five years.

(m) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

Section 6. Representations, Warranties and Covenants of the City. The City hereby represents, warrants and agrees with the Underwriter that:

(a) The City Council (the "**City Council**") of the City has taken official action by Resolution (the "**City Resolution**") adopted by a majority of the members of the City Council at a meeting that was duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of: (i) the Lease; (ii) the Continuing Disclosure Undertaking; (iii) the Site Lease; (iv) the Refunding Instructions; (v) this Purchase Contract; (collectively, the "**City Agreements**") and (vi) the Official Statement and the taking of any and all such action as may be required on the part of the City to carry out, give effect to and consummate the transactions that are contemplated hereby.

(b) The City is a municipal corporation and chartered city that is duly organized and existing under the Constitution and laws of the State, and the City has all necessary power and authority to adopt the City Resolution and to enter into and perform its duties under the City Agreements.

(c) By all necessary official action, the City has: (i) duly adopted the City Resolution; (ii) duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement; (iii) duly authorized and approved the execution and delivery of, and the performance of its obligations under, the City Agreements; and (iv) duly authorized the consummation by it of all other transactions contemplated by the City Resolution, the City Agreements, the Preliminary Official Statement and the Official Statement.

When executed and delivered, the City Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto, as applicable) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the City's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement (other than under the caption "THE AUTHORITY") does not and will not contain any untrue statement of a material fact or omit to state a material fact that is 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 (except that no representation is made with respect to information relating to DTC (as such term is defined herein) or DTC's book-entry system).

(e) As of the date hereof, except as described in the Preliminary Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body that is pending against, and notice of which has been served on and received by, the City or, to the best knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of the City Agreements or the Bonds or the exclusion of the interest on the Bonds from taxation; (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the City is a party relating to the Bonds; or (iv) have a material adverse effect on the ability of the City to make Lease Payments when due.

(f) There is no consent, approval, authorization or other order of, filing or registration with, or certification by, any regulatory authority having jurisdiction over the City that is required for the execution and delivery of this Purchase Contract and the City Agreements or the consummation by the City of the other transactions contemplated by the Official Statement or the City Agreements.

(g) Any certificate that is signed by any official of the City who is authorized to do so shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(h) The City is not in default, and at no time has the City defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i) If any event occurs of which the City has knowledge between the date of this Purchase Contract and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact that is 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, the City shall notify the Underwriter and, if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter. All expenses thereby incurred will be paid by the City, and the

Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with EMMA.

(j) Except as set forth in the Official Statement under the caption "CONTINUING DISCLOSURE," the City has complied in all material respects with its continuing disclosure undertakings in the past five years.

(k) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order: (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions. The City will not be required to execute a general or special consent to service of process or to qualify to do business in connection with any such qualification or determination in any jurisdiction.

(l) The City is not in any material respect in breach of or default under: (i) any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either; (ii) any applicable judgment or decree; or (iii) any loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party, which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Agreements, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Agreements, if applicable, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the City Agreements.

(m) The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2015 attached as an appendix to the Official Statement fairly represent the receipts, expenditures and cash balances of the City as of such date. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2015 and there has been no occurrence, circumstance or combination thereof that is reasonably expected to result in any such materially adverse change.

(n) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

Section 7. The Closing. (a) At 8:00 A.M., Pacific Standard Time, on _____, 2016, or on such earlier or later time or date as may be agreed upon by the Underwriter, the Authority and the City (the "Closing"), the Authority shall deliver or cause to be delivered to the Trustee, the Bonds in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust

Company, New York, New York (“DTC”) (so that the Bonds may be authenticated by the Trustee and credited to the account specified by the Underwriter under DTC’s FAST procedures). Prior to the Closing, the Authority shall deliver, at the offices of Jones Hall, A Professional Law Corporation (“Bond Counsel”) in San Francisco, California, or such other place as is mutually agreed upon by the Underwriter and the Authority, the other documents described in this Purchase Contract. On the date of the Closing, the Underwriter shall pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Contract in immediately available funds to the order of the Trustee.

(b) The Bonds shall be issued in fully registered form and shall be prepared and delivered as one Bond for each maturity registered in the name of a nominee of DTC. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Contract.

Section 8. Conditions to Underwriter’s Obligations. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the Authority and the City contained herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter’s obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) The representations and warranties of the Authority and the City contained in this Purchase Contract shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing as if made on the date of the Closing.

(b) As of the date of the Closing, the Official Statement shall not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter.

(c) (i) As of the date of the Closing, the Authority Resolution, the City Resolution, the Authority Agreements and the City Agreements shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the Authority, the City and the Underwriter; (ii) the Authority shall perform or shall have performed all of its obligations that are required under or specified in the Authority Resolution, the Authority Agreements and this Purchase Contract to be performed at or prior to the date of the Closing; and (iii) the City shall perform or shall have performed all of its obligations that are required under or specified in the City Resolution, the City Agreements and this Purchase Contract to be performed at or prior to the date of the Closing.

(d) As of the date of the Closing, all necessary official action of the Authority relating to the Authority Agreements, the Authority Resolution and the Official Statement, and all necessary official action of the City relating to the City Agreements, the City Resolution, and the Official Statement, shall have been taken, shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect.

(e) Subsequent to the date of this Purchase Contract, up to and including the date of the Closing, there shall not have occurred any change in the financial affairs of the Authority or the City, as described in the Official Statement, which in the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Bonds.

(f) As of or prior to the date of the Closing, the Underwriter shall have received each of the following documents:

(A) Certified copies of the Authority Resolution and the City Resolution.

(B) Duly executed copies of the Authority Agreements and the City Agreements.

(C) The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the Authority and the City.

(D) An approving opinion of Bond Counsel, dated the date of the Closing, as to the validity of the Bonds and the exclusion of interest on the Bonds from federal and State income taxation, addressed to the Authority and the City, substantially in the form attached as an appendix to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter.

(E) A supplemental opinion or opinions of Bond Counsel, dated the date of the Closing, addressed to the Underwriter, to the effect that:

(1) The Purchase Contract, has been duly executed and delivered by the Authority and the City and (assuming due authorization, execution and delivery by and enforceability against the Underwriter) is valid and binding upon the Authority and the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(2) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(3) The statements contained in the Official Statement on the cover and under the captions "INTRODUCTION" (excluding therefrom the statements pertaining to DTC or contained under the subcaption "—Form of Bonds; Book-Entry Only"), "THE REFUNDING PLAN," "THE BONDS" (excluding therefrom the statements pertaining to DTC or contained under the subcaption "—Book-Entry Only System"), "SECURITY FOR THE BONDS" and "TAX MATTERS," and in Appendices C and D, excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture, the Lease, the Site Lease and the form and content of Bond Counsel's final approving opinion, are accurate in all material respects; and

(4) The 2006 Certificates have been defeased according to the trust agreement pursuant to which they were executed and delivered.

(F) An opinion, dated the date of the Closing addressed to the Authority, the City and the Underwriter, of Jones Hall, disclosure counsel, to the effect that based upon their participation in the preparation of the Official Statement as Disclosure Counsel to the Authority and without having undertaken to determine independently the accuracy or completeness of the contents in the Official Statement, such counsel has no reason to believe that the Official Statement, as of its date (excluding any CUSIP numbers; Appendices B through F; financial and statistical data or graphs; forecasts, projections, estimates, assumptions, and expressions of opinions; any determinations regarding valuation, appraisals, real estate, and environmental matters, or any basis

therefor) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(G) An opinion of the City Attorney, dated the date of the Closing, addressed to the Authority, the City and the Underwriter, substantially in the form attached hereto as Exhibit E.

(H) An executed Rule 15c2-12 certificate of the Authority and the City, dated the date of the Preliminary Official Statement, substantially in the form attached hereto as Exhibit B.

(I) An executed closing certificate of the Authority, dated the date of the Closing, substantially in the form attached hereto as Exhibit C.

(J) An executed closing certificate of the City, dated the date of the Closing, substantially in the form attached hereto as Exhibit D.

(K) The opinion of counsel of the Trustee, addressed to the Authority, the City and the Underwriter, substantially to the effect that:

(1) The Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America, having full powers and authority and being qualified to enter into, accept and administer the trust created under the Indenture and to enter into the Indenture; and

(2) The Indenture has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture constitutes the legal, valid and binding agreement of the Trustee enforceable in accordance with its terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(L) The opinion or opinions of counsel to the 2006 Trustee, addressed to the City, the Authority and the Underwriter, substantially to the effect that:

(1) The 2006 Trustee is a national banking association that is duly organized, validly existing and in good standing under the laws of the United States of America, having full powers and authority and being qualified to enter into, accept and administer the trust created under the Irrevocable Refunding Instructions and to enter into the Irrevocable Refunding Instructions; and

(2) The Irrevocable Refunding Instructions have been duly authorized, executed and delivered by the 2006 Trustee and, assuming due authorization, execution and delivery by the City and the Authority, the Irrevocable Refunding Instructions constitute the legal, valid and binding agreements of the 2006 Trustee, enforceable in accordance with their respective terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(M) A certificate or certificates, dated the date of the Closing, in form and substance acceptable to the Underwriter, of an authorized officer or officers of the Trustee to the

effect that the Trustee has accepted the duties imposed by the Indenture and is authorized to carry out such duties and that the Trustee has duly authenticated the Bonds.

(N) A certificate or certificates, dated the date of the Closing, in form and substance acceptable to the Underwriter, of an authorized officer or officers of the 2006 Trustee to the effect that the 2006 Trustee is duly authorized to enter into the Irrevocable Refunding Instructions, has accepted the respective duties imposed by the Irrevocable Refunding Instructions and is authorized to carry out such duties.

(O) Evidence of required filings with the California Debt and Investment Advisory Commission.

(P) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system.

(Q) A title insurance policy insuring the Leased Property (as such term is defined in the Lease).

(R) Evidence (including a certificate of an appropriate City official) that the City maintains property, casualty and rental interruption insurance for the Leased Property meeting the requirements set forth in the Lease.

(S) An executed verification report relating to the 2006 Certificates, among other matters.

(T) Evidence that the ratings assigned to the Bonds as of the date of the Closing are as set forth in the Official Statement.

(U) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Bonds by the Trustee.

(V) A certified copy of the general resolution of the 2006 Trustee authorizing the execution and delivery of certain documents by certain officers of the 2006 Trustee, which resolution authorizes the execution and delivery of the Irrevocable Refunding Instructions.

(W) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, addressed to the Underwriter and in form and substance satisfactory to the Underwriter.

(X) A Tax Certificate with respect to maintaining the tax-exempt status of the Bonds, duly executed by the City and the Authority.

(Y) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Authority and the City with legal requirements, the truth and accuracy, as of the date of the Closing, of the representations of the Authority and the City contained herein and of the Official Statement and the due performance or satisfaction by the Authority and the City at or prior to

such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City.

All of the opinions, letters, certificates, instruments and other documents that are mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the Authority and the City are unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds as set forth in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter, the Authority nor the City shall be under further obligations hereunder, except that the respective obligations of the Authority, the City and the Underwriter set forth in Section 12 of this Purchase Contract shall continue in full force and effect.

Section 9. Conditions to Authority's and City's Obligations. The performance by the Authority and the City of their respective obligations under this Purchase Contract are conditioned upon: (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the Authority and the City of opinions addressed to the Authority and the City, receipt by the Underwriter of opinions addressed to the Underwriter and the delivery of certificates on the date of the Closing by persons and entities other than the Authority and the City.

Section 10. Termination Events. The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, accept delivery of and pay for the Bonds by notifying the Authority and the City of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

(A) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially and adversely affected by any decision that is issued by a court of the United States (including the United States Tax Court) or of the State, by any ruling or regulation (final, temporary or proposed) that is issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State by the Governor of the State in an executive communication, affecting the tax status of the Authority or the City, their property or income, their debt or contractual obligations (including the Bonds) or the interest thereon or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended;

(B) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or any other outbreak of hostilities occurs, or a local, national or international calamity or crisis occurs, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds;

(C) there occurs a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York or State authorities;

(D) a stop order, ruling, regulation or official statement by, or on behalf of, the SEC is issued or made to the effect that the issuance, offering or sale of the Bonds or obligations similar to the Bonds is or would be in violation of any provision of the Securities Act of 1933, as then in effect, the Securities Exchange Act of 1934, as then in effect, or the Trust Indenture Act of 1939, as then in effect;

(E) legislation is enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America is rendered, or a ruling or regulation by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the Bonds are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(F) in the reasonable judgment of the Underwriter, the market price of the Bonds, or the market price of obligations of the general character of the Bonds, might be materially and adversely affected because additional material restrictions that are not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(G) the Office of the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increases materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(H) a general banking moratorium is established by federal, New York or State authorities;

(I) any legislation, ordinance, rule or regulation is introduced in or enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State is rendered, which, in the reasonable opinion of the Underwriter, after consultation with the Authority and the City, materially adversely affects the market price of the Bonds;

(J) any federal or State court, authority or regulatory body takes action materially and adversely affecting the collection of Lease Revenues under the Indenture;

(K) any rating of the Bonds is downgraded, suspended or withdrawn by a national rating service, which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds;

(L) an event occurs which in the reasonable opinion of the Underwriter requires a supplement or amendment to the Official Statement and: (i) the Authority or the City refuses to prepare and furnish such supplement or amendment; or (ii) in the reasonable judgment of the

Underwriter, the occurrence of such event materially and adversely affects the marketability of the Bonds or renders the enforcement of the sale contracts of the Bonds impracticable;

(M) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the SEC, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(N) additional material restrictions that are not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds; or

(O) the commencement of any action, suit or proceeding described in Section 5(e) or Section 6(e).

Section 11. Changes in Official Statement. After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 90 days after the Closing or within 25 days following the "end of the underwriting period" (as such term is defined below), whichever occurs first, if any event relating to or affecting the Bonds, the Trustee, the City or the Authority occurs as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time that it is delivered to a purchaser, the Authority will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time that the Official Statement is delivered to a purchaser, not misleading. The City and the Authority will cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. As used herein, the term "**end of the underwriting period**" means the later of such time as: (i) the Authority delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Notwithstanding the foregoing, unless the Underwriter gives notice to the contrary, the "end of the underwriting period" will be the date of the Closing. Any notice delivered pursuant to this provision will be written notice delivered to the Authority at or prior to the date of the Closing and will specify a date (other than the date of the Closing) to be deemed the "end of the underwriting period."

Section 12. Payment of Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall pay the following expenses incident to the performance of the Authority's and the City's obligations hereunder:

- (i) the fees and disbursements of Bond Counsel;
- (ii) the cost of printing and delivering the Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Section 11 of this Purchase Contract);
- (iii) the fees and disbursements of accountants, advisors and any other experts or consultants retained by the Authority or the City, including the City Attorney; and
- (iv) any other expenses and costs of the Authority and the City that are incident to the performance of their respective obligations in connection with the authorization, issuance and sale of the Bonds, including out-of-pocket expenses and regulatory expenses, reimbursement to the Underwriter for any meals and travel for Authority or City employees or officers that were paid for by the Underwriter and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Bonds including, but not limited to:

- (i) all advertising expenses in connection with the offering of the Bonds; and
- (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds (including, without limitation, the fees and expenses of its counsel and MSRB, CUSIP Bureau, California Debt and Investment Advisory Commission and California Public Securities Association fees, if any), except as provided in clause (a) above or as otherwise agreed to by the Underwriter and the City.

Section 13. Notices. Any notice or other communication to be given to the Authority or the City under this Purchase Contract may be given by delivering the same in writing to the Authority and the City at the addresses set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104
Attention: Ralph Holmes

Section 14. Survival of Representations, Warranties, Agreements. All of the Authority's and the City's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Contract. The agreements contained in this Section and in Section 12 shall survive any termination of this Purchase Contract.

Section 15. Benefit; No Assignment. This Purchase Contract is made solely for the benefit of the Authority, the City and the Underwriter (including their successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract are not subject to assignment by the Underwriter, the Authority or the City without the prior written consent of the other parties hereto.

Section 16. Severability. In the event that any provision of this Purchase Contract is held to be invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 17. Counterparts. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 18. Governing Law. This Purchase Contract shall be governed by the laws of the State.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Section 19. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the Authority and the City, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Title: Authorized Officer

Accepted:

CITY OF OAKLEY

By: _____
Title: City Manager

Time of Execution: _____ Pacific Time

OAKLEY PUBLIC FINANCING AUTHORITY

By: _____
Title: Executive Director

Time of Execution: _____ Pacific Time

EXHIBIT A

**\$ _____
OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS**

MATURITY SCHEDULE

<i>Principal Payment Date (May 1)</i>	<i>Principal</i>	<i>Coupon</i>	<i>Yield</i>	<i>Price</i>
---	------------------	---------------	--------------	--------------

* Term Bond.

^c Priced to first optional redemption date of May 1, 20__ at par.

EXHIBIT B

§ _____ *

**OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS**

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the City of Oakley (the "City") and the Oakley Public Financing Authority (the "Authority"), and is duly authorized to execute and deliver this Certificate on behalf of the City and the Authority, and further hereby certifies and reconfirms on behalf of the City and the Authority as follows:

(1) This Certificate is delivered in connection with the offering and sale of the above captioned bonds (the "Bonds") in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds, the Authority and the City (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule, and the information therein is accurate and complete except for the Permitted Omissions.

Dated: _____, 2016

CITY OF OAKLEY

By: _____
City Manager

* Preliminary; subject to change.

OAKLEY PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT C

§ _____
OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS

CLOSING CERTIFICATE OF THE AUTHORITY

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the Oakley Public Financing Authority (the "Authority"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Authority as follows:

(i) The representations, warranties and covenants of the Authority contained in the Bond Purchase Contract, dated November __, 2016 (the "Purchase Contract"), by and among the Authority, the City of Oakley and Stifel, Nicolaus & Company, Incorporated, as underwriter, are true and correct and in all material respects on and as of the date of the Closing, with the same effect as if made on the date of the Closing.

(ii) The Authority Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the Authority and the Underwriter.

(iii) The Authority has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) The statements and descriptions in the Official Statement pertaining to the Authority do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given to such terms in the Purchase Contract.

Dated: _____, 2016

OAKLEY PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT D

**§ _____
OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS**

CLOSING CERTIFICATE OF THE CITY

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the City of Oakley (the "City"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City as follows:

(i) The representations, warranties and covenants of the City contained in the Bond Purchase Contract, dated November __, 2016 (the "**Purchase Contract**"), by and among the City, the Oakley Public Financing Authority, and Stifel, Nicolaus & Company, Incorporated, as underwriter, are true and correct and in all material respects on and as of the date of the Closing, with the same effect as if made on the date of the Closing.

(ii) The City Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the City and the Underwriter.

(iii) The City has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of this certificate, there has been no adverse change in the condition (financial or otherwise) of the City, whether or not arising in the ordinary course of operations, as described in the Official Statement that would materially and adversely affect the Bonds or the City's performance under the City Agreements.

(v) The Official Statement (other than under the caption "THE AUTHORITY") does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given to such terms in the Purchase Contract.

Dated: _____, 2016

CITY OF OAKLEY

By: _____
City Manager

EXHIBIT E

_____, 2016

Oakley Public Financing Authority
3231 Main Street
Oakley, California 94561

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

City of Oakley
3231 Main Street
Oakley, California 94561

Opinion of City Attorney and Authority Counsel

with reference to

§ _____
**OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS**

Ladies and Gentlemen:

In my capacity as the General Counsel to the Oakley Public Financing Authority (the “**Authority**”) and the City Attorney of the City of Oakley (the “**City**”), in connection with the issuance by the Authority of the above-referenced bonds (the “**Bonds**”), I have examined such documents, certificates and records as I have deemed relevant and necessary as the basis for the opinion set forth herein. Capitalized terms used and not otherwise defined herein shall have the same meanings as assigned to them in the Bond Purchase Contract, dated November __, 2016 (the “**Purchase Contract**”), by and among Stifel, Nicolaus & Company, Incorporated, as underwriter, the City and the Authority.

Relying on my examination described above and pertinent law and subject to the limitations and qualifications set forth hereinafter, I am of the following opinion:

1. The City is a municipal corporation and general law city organized and validly existing under the laws of the State of California.
2. Resolution No. _____ of the City Council of the City (the “**City Resolution**”) has been duly adopted at a meeting of the City Council that was duly called and held on _____, 2016 pursuant to law, with all required public notice and at which a quorum was present and acting throughout. The City Resolution is in full force and effect and has not been amended or repealed.
3. The City has duly authorized, executed and delivered the City Agreements. Assuming due authorization, execution and delivery by the other parties thereto, as necessary, the City Agreements constitute legal, valid and binding agreements of the City enforceable against the

City in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer, moratorium, reorganization or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies.

4. Except as disclosed in the Official Statement, there is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been accomplished on the City) or, to the best of my knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the City or the titles of its officers to their respective offices; (b) in any way question or affect the validity or enforceability of the City Agreements or the Bonds; (c) render illegal, invalid or unenforceable the City Agreements or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the City is a party; or (d) have a material adverse effect on the ability of the City to make Lease Payments (as such term is defined in the Lease) when due.

5. The execution and delivery of the City Agreements and compliance with the provisions of each thereof will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, trust agreement, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound in a manner that would materially adversely affect the City's performance under the City Agreements.

6. The Authority is a joint exercise of powers authority organized and validly existing under the laws of the State of California.

7. Resolution No. _____ of the Authority (the "**Authority Resolution**") has been duly adopted at a regular meeting of the Commission of the Authority that was duly called and held on _____, 2016 pursuant to law, with all required public notice and at which a quorum was present and acting throughout. The Authority Resolution is in full force and effect and has not been amended or repealed.

8. The Authority has duly authorized, executed and delivered the Official Statement, and the Authority Agreements. Assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Authority Agreements constitute legal, valid and binding agreements of the Authority enforceable against the Authority in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer, moratorium, reorganization or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies.

9. The execution and delivery by the Authority of the Authority Agreements, the Official Statement and the other instruments contemplated by any of such documents to which the

Authority is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, trust agreement, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound in a manner that would materially adversely affect the Authority's performance under the Authority Agreements.

10. There is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been accomplished on the Authority) or, to the best of my knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the Authority or the titles of its officers to their respective offices; (b) in any way question or affect the validity or enforceability of the Authority Agreements or the Bonds; or (c) render illegal, invalid or unenforceable the Authority Agreements or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the Authority is a party.

11. The Bonds are payable from and secured by a valid lien on and pledge of the Lease Payments (as such term is defined in the Lease) and other amounts in the manner and to the extent provided in the Indenture. The City is duly authorized to make, and the Authority is duly authorized to pledge, such Lease Payments and other amounts, and no further action of the part of the City, the Authority or any other party is required to perfect the same or the interest of the Bondowners therein.

The opinion is based on such examination of the laws of the State of California as I have deemed relevant for the purposes of this opinion. I have not considered the effect, if any, of the laws of any other jurisdiction upon matters covered by this opinion. I have assumed the genuineness of all documents and signatures, presented to me. I have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. I express no opinion as to the status of the Bonds or the interest thereon, the Authority Agreements or the City Agreements under any federal securities laws or any state securities or "Blue Sky" law or any federal, state or local tax law. Without limiting any of the foregoing, I express no opinion as to any matter other than as expressly set forth above.

I am furnishing this opinion as General Counsel to the Authority and City Attorney to the City. Except for the Authority and the City, no attorney-client relationship has existed or exists between me and the addressees hereof in connection with the Bonds or by virtue of this opinion. This opinion is rendered solely in connection with the financing described herein, and may not be relied upon by you for any other purpose. I disclaim any obligation to update this opinion. This opinion shall not extend to, and may not be used, quoted, referred to, or relied upon by any other person, firm, corporation or other entity without my prior written consent.

Respectfully submitted,

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2016

Draft Dated October 25, 2016

NEW ISSUE - FULL BOOK-ENTRY

RATING: Standard & Poor's: " __ " See "RATING"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____ *

OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS

Dated: Date of Delivery

Due: May 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the "Bonds") are being issued by the Oakley Public Financing Authority (the "Authority") pursuant to an Indenture of Trust dated as of November 1, 2016 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee for the Bonds (the "Trustee"). See "THE BONDS – Authority for Issuance."

Use of Proceeds. The proceeds of the Bonds will be used to (i) refinance the outstanding 2006 Certificates of Participation (Civic Center Project) (the "2006 Certificates") of the City of Oakley (the "City"), together with related lease payment obligations, (ii) establish a reserve account for the Bonds by depositing a portion of the proceeds of the Bonds therein and (iii) pay the costs of issuing the Bonds. See "REFINANCING PLAN."

Security for the Bonds. Under the Indenture, the Bonds will be payable solely from and secured by Revenues (as defined in this Official Statement) and certain funds and accounts held under the Indenture, including a reserve fund. Revenues consist primarily of lease payments ("Lease Payments") to be made by the City to the Authority pursuant to a Lease Agreement dated as of November 1, 2016 (the "Lease"), by and between the Authority and the City, for the leasing of certain real property (the "Leased Property"). Under the Lease, the City covenants to take such action as necessary to include the Lease Payments in its annual budgets and to make all necessary appropriations for such Lease Payments (subject to abatement under certain circumstances as described in this Official Statement). The rights of the Authority to receive Lease Payments under the Lease will be assigned to the Trustee pursuant to an Assignment Agreement dated as of November 1, 2016 (the "Assignment Agreement"), by and between the Authority and the Trustee. Upon the occurrence of an Event of Default under the Lease, the Trustee may terminate the Lease and re-lease the Leased Property and may recover rent and other monetary charges as they become due. See "SECURITY FOR THE BONDS – Remedies" and "BOND OWNERS RISKS – Default."

Bond Terms; Book-Entry Only. The Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 (each, an "Interest Payment Date"), commencing May 1, 2017, and will be issued in fully-registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). With respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day, shall be its respective "Record Date." Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – General Provisions."

Redemption. The Bonds are subject to redemption prior to maturity. See "THE BONDS – Redemption."

Insurance Policy or Reserve Policy. The Successor Agency has applied for a municipal bond insurance policy and a debt service reserve policy and will decide whether to purchase such policies in connection with the pricing of the Bonds.

THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. NONE OF THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE BONDS, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. SEE "SECURITY FOR THE BONDS."

CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY IS CONTAINED IN "CITY FINANCIAL INFORMATION," "APPENDIX A – CITY OF OAKLEY AND COUNTY OF CONTRA COSTA GENERAL INFORMATION" AND "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015." THE INFORMATION THEREIN IS IMPORTANT SHOULD BE READ IN ITS ENTIRETY.

MATURITY SCHEDULE

(see inside cover)

The following firm, serving as "Municipal Advisor," has assisted in the structuring of this issue:



THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by Cota Cole LLP, as City Attorney to the City and General Counsel to the Authority, and for the Underwriter by Stradling, Yocca, Carlson, & Rauth, P.C., Irvine, California. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about _____, 2016.

STIFEL

The date of this Official Statement is: _____, 2016.

MATURITY SCHEDULE*

\$ _____
OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP† (Base _____)</u>
----------------------	------------------------------	--------------------------	--------------	--------------	--------------------------------

\$ _____ % Term Bonds Due May 1, 20____, Yield ____%,
Price: _____, CUSIP _____

* Preliminary; subject to change.

† Copyright 2016, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Authority nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

[MAP OF THE CITY]

**OAKLEY PUBLIC FINANCING AUTHORITY
CITY OF OAKLEY**

AUTHORITY BOARD/CITY COUNCIL

Kevin Romick, Mayor/Chair
Sue Higgins, Vice Mayor/Vice-Chair
Doug Hardcastle, Councilmember/ Member
Vanessa Perry, Councilmember/Member
Randy Pope, Councilmember/Member

AUTHORITY/CITY OFFICIALS

Bryan Montgomery, City Manager/Executive Director
Deborah Sultan, Finance Director/Treasurer
Libby Vreonis, City Clerk/Secretary
Cota Cole LLP, City Attorney/Authority Counsel

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

Public Financial Management, Inc.
San Francisco, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

TRUSTEE

U.S. Bank National Association
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

The information set forth herein has been obtained from the Authority and the City and from other sources that the Authority and the City believe to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

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

In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Bonds have not been registered or qualified under the securities laws of any state.

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. Such forward-looking statements include but are not limited to certain statements contained in the information in this "CITY FINANCIAL INFORMATION" and "APPENDIX A – CITY OF OAKLEY AND COUNTY OF CONTRA COSTA GENERAL INFORMATION." The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that 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. Neither the Authority nor the City plans 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.

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

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OFFICIAL STATEMENT

\$ _____*

**OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS**

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Authority for Issuance. The Oakley Public Financing Authority (the "**Authority**") is issuing its 2016 Lease Revenue Bonds (the "**Bonds**") under the following legal authority:

(a) Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "**State**"), commencing with Section 6584 of said Code (the "**Bond Law**"),

(b) a resolution adopted by the Board of Directors (the "**Board**") of the Authority on November 8, 2016 (the "**Authority Resolution**"), and a resolution adopted by the City Council (the "**City Council**") of the City of Oakley (the "**City**") on November 8, 2016 (the "**City Resolution**"), and

(c) an Indenture of Trust (the "**Indenture**"), dated as of November 1, 2016, by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**").

Form of Bonds; Book-Entry Only. The Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York ("**DTC**"), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See "THE BONDS – Book-Entry Only System" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purpose of the Bonds. The Bonds are being issued to provide funds to refinance all of the outstanding 2006 Certificates of Participation (Civic Center Project) (the "**2006 Certificates**") of the City, together with related lease payment obligations, which are currently outstanding in the aggregate principal amount of \$6,415,000.

* Preliminary, subject to change.

The remaining proceeds of the Bonds will be used to (i) fund a debt service reserve account for the Bonds by depositing in such account an amount equal to the Reserve Requirement (as hereinafter defined) or to pay the premium of a debt service reserve policy for the Bonds and (ii) pay the costs of issuing the Bonds.

Security for the Bonds and Pledge of Revenues. The Bonds will be payable solely from and secured by Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under the Indenture.

The Indenture defines "**Revenues**" to mean (a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement dated as of November 1, 2016 (the "**Lease**"), between the Authority as lessor and the City as lessee of the real property constituting the City's City Hall located at 3231 Main Street, Oakley, California ("**City Hall**"), including both land and improvements (collectively, the "**Leased Property**"), including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any additional amounts of rental pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control and (ii) any Additional Rental Payments (as hereinafter defined); and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

The Indenture defines "**Lease Payments**" to mean the amounts payable by the City under the Lease, including any prepayment thereof and including any amounts payable upon a delinquency in the payment thereof.

Under the Lease, the City covenants to take such action as necessary to include the Lease Payments in its annual budgets and to make all necessary appropriations for such Lease Payments (subject to abatement under certain circumstances described in the Lease).

See "SECURITY FOR THE BONDS."

The City's General Fund (the "**General Fund**") revenues for the fiscal year ended June 30, 2015 totaled approximately \$10 million. Maximum annual debt service for the Bonds is anticipated to be approximately \$_____ or ____% of the City's General Fund revenues for the fiscal year ended June 30, 2015. See "APPENDIX A – CITY OF OAKLEY AND COUNTY OF CONTRA COSTA GENERAL INFORMATION" and "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

The scheduled Lease Payments payable by the City under the Lease are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due. However, in the event of any damage or destruction such that there is substantial interference with the use and occupancy of all or any portion of the Leased Property, or a temporary taking of the Leased Property or a permanent taking of a portion of the Leased Property, Lease Payments may be abated under the Lease without constituting a default. See "SECURITY FOR THE BONDS – Abatement" and "RISK FACTORS – Abatement." However, proceeds of insurance may be available to pay Lease Payments in the event of insured damage, destruction or condemnation with respect to the Leased Property.

Pursuant to an Assignment Agreement, dated as of November 1, 2016 (the "**Assignment Agreement**"), by and between the Authority and the Trustee, the Authority has assigned to the Trustee for the benefit of the Owners of the Bonds, certain of the Authority's rights under the Lease, including its rights to receive Lease Payments and to enforce remedies in the event of a default by the City for the purpose of securing the payment of debt service on the Bonds.

Reserve Account. A portion of the proceeds of the Bonds will fund a deposit of \$_____ to satisfy the "**Reserve Requirement**" (as hereinafter defined); in the alternative, the Reserve Requirement may be met with the deposit of a debt service reserve policy. See "SECURITY FOR THE BONDS – Debt Service Reserve Account."

Additional Obligations. The City has existing obligations payable from the General Fund, and the City is permitted to enter into other obligations, which constitute additional charges against its revenues without the consent of Owners of the Bonds. See "CITY FINANCIAL INFORMATION." Under the Indenture, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred by the Authority which are payable out of the Revenues in whole or in part.

Redemption. The Bonds are subject to redemption prior to their stated maturity dates. See "THE BONDS – Redemption."

Abatement. The Lease provides that, except to the extent of proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority, amounts in the Bond Fund available to pay Lease Payments which would otherwise be abated, the obligation of the City to pay Lease Payments will be subject to abatement by reason of (i) damage or destruction such that there is substantial interference with the use and occupancy of all or any portion of the Leased Property, or (ii) a temporary taking of the Leased Property or a permanent taking of a portion of the Leased Property. See "SECURITY FOR THE BONDS – Abatement," and "RISK FACTORS – Abatement."

Risks of Investment. The Bonds are payable from Revenues, which consists primarily of Lease Payments, and certain funds and accounts established under the Indenture. For a discussion of some of the risks associated with the purchase of the Bonds, see "RISK FACTORS."

THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. NONE OF THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE BONDS, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. See "SECURITY FOR THE BONDS."

Professionals Involved in the Offering. The following professionals are involved in the offering of the Bonds:

Public Financial Management, Inc., San Francisco, California (the "**Municipal Advisor**"), has acted as municipal advisor to the City.

U.S. Bank National Association, San Francisco, California, will act as Trustee with respect to the Bonds.

Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**") is underwriting the Bonds.

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, is also acting as Disclosure Counsel. The City Attorney will render certain opinions on behalf of the Authority and the City. Certain legal matters will be passed on for the Underwriter by Stradling, Yocca, Carlson & Rauth, P.C., Irvine, California, as Underwriter's Counsel. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Underwriter's Counsel is contingent upon the sale and delivery of the Bonds.*

Summaries of Documents. This Official Statement includes descriptions of the Bonds, the Authority, the City, and summaries of the Site Lease, the Facility Lease and the Indenture. The descriptions and summaries of documents do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements are qualified in their entirety by reference to each document and, with respect to certain rights and remedies, to laws and principles of equity relating to creditors' rights generally. Undefined capitalized terms shall have the meanings set forth in the Indenture. Copies of the Site Lease, the Facility Lease, and the Indenture are available for inspection during business hours at the corporate trust office of the Trustee in San Francisco, California.

This Official Statement speaks only as of its date, as set forth on the cover hereof, and the information and expressions of opinion are subject to change without notice. Neither the delivery of this Official Statement nor any sale of Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Authority and the City since the date set forth on the cover.

THE REFUNDING PLAN

Refunding of 2006 Certificates

Outstanding 2006 Certificates. The following 2006 Certificates are outstanding and will be repaid with a portion of the proceeds of the Bonds:

**CITY OF OAKLEY
2006 CERTIFICATES OF PARTICIPATION
(CIVIC CENTER PROJECT)
(Base CUSIP† Number: 673634)**

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP†
2017	\$ 285,000	4.000%	AK7
2018	300,000	4.000	AL5
2019	310,000	4.000	AM3
2020	325,000	4.000	AN1
2021	335,000	4.000	AP6
2022	350,000	4.100	AQ4
2023	365,000	4.200	AR2
2024	380,000	4.250	AS0
2025	400,000	4.250	AT8
2026	420,000	4.375	AU5
2028	895,000	4.400	AW1
2030	975,000	4.500	AT8
2032	1,075,000	4.500	BA8

Refunding of 2006 Certificates. Pursuant to the Irrevocable Refunding Instructions (the “**Refunding Instructions**”), by the Authority and the City to Wells Fargo Bank, N.A., as trustee for the 2006 Certificates (in such capacity, the “**2006 Trustee**”), the Authority will deliver a portion of the proceeds of the Bonds, along with other available amounts, to the 2006 Trustee for deposit in an escrow fund established under the Refunding Instructions (the “**Escrow Fund**”).

The 2006 Trustee will [invest a portion of the funds deposited in the Escrow Fund in government securities and will hold the remainder in cash]/[hold all amounts deposited in the Escrow Fund], uninvested. The 2006 Trustee will apply the amounts held in the Escrow Fund for the sole purposes of prepaying all of the [Lease Payments relating to the] 2006 Certificates maturing on and after May 1, 2017 on _____, 201_.

Under the terms of the indenture relating to the 2006 Certificates, all of the outstanding 2006 Certificates will be paid and discharged by depositing with the 2006 Trustee or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of Lease Payments relating to such 2006 Certificates, said security to be held by the Trustee on behalf of the City to be applied by the Trustee or by such other fiduciary to pay or prepay such Lease Payments as the same become due under the Lease.

† CUSIP® is a registered trademark of the American Bankers Association. Copyright© 2016 Standard & Poor’s, a Division of the McGraw Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor’s CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority, or the Underwriter take any responsibility for the accuracy of such numbers.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the amounts due and payable by the Successor Agency with respect to the Refunded Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the 2016 Bonds.

Verification of Mathematical Accuracy

Causey Demgen & Moore P.C., Denver, Colorado (the "**Verification Agent**"), will verify the sufficiency of the deposits in the Escrow Fund for the purposes described above. Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the Refunding Instructions, the City's obligations with respect to the 2006 Certificates will be discharged.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Bonds and the 2006 Certificates are as follows:

Sources:

Principal Amount of Bonds	\$
Plus: 2006 Certificates - Available Funds	
Plus: Net Original Issue Premium/Less: Net Original Issue Discount	
Total Sources	<hr/> \$

Uses:

Refunding of 2006 Certificates	\$
Reserve Account	
Costs of Issuance Fund ⁽¹⁾	
Underwriter's Discount	\$
Total Uses	

(1) Costs of Issuance include the fees and expenses for Bond Counsel, Disclosure Counsel, Municipal Advisor, Verification Agent, Trustee, City Attorney, premiums for the municipal bond insurance and the debt service reserve policies, if any, printing expenses, rating fee and other costs related to the issuance of the Bonds.

THE LEASED PROPERTY

Lease Payments will be made by the City under the Lease for the use and occupancy of the Leased Property, which is described in greater detail below.

Description

The Leased Property consists of City Hall, including the land on which such property is located, and all related improvements.

City Hall. City Hall consists of three buildings across approximately 7 acres located on Main Street in the downtown area of the City. The first and second buildings each consists of approximately 7,500 square feet and were constructed on or about 2004. The third building was constructed in 2007 with proceeds of the 2006 Certificates and consists of approximately 8,950 square feet.

City Hall houses the City Council Chambers and members' offices, the offices of the City Manager, the offices of the Finance Director and other administrative offices of the City and the Oakley Policy Department.

City Hall is part of the City's Civic Center Complex, which, in addition to the City Hall, includes a plaza, a park, Community Park and a restaurant building, currently operated as a Black Bear Diner. The park consists of approximately two acres and includes landmark oak trees, open green space, and an outdoor amphitheater. The restaurant consists of 5,000 square feet of indoor space and a 1,000 square foot patio for outdoor eating or gatherings. The park and restaurant do not constitute a part of the Leased Property.

The City and the Authority, based on comparable properties, insurance appraisals, and other records it maintains, estimate the current fair rental value of the Leased Property to be not less than the amount of the annual Lease Payments. The County's assessed value of the Leased Property as of fiscal year 2016-17 is approximately \$11,538,716, of which \$9,374,078 relates to improvements and \$2,164,638 relates to land. The total insured value of the Leased Property is approximately \$8,968,950, with \$8,487,950 of such insured value attributable to the market value of the building itself, and \$481,000 attributable to the value of the land.

Modifications of Leased Property

Under the Lease, the City will have the right during the term of the Lease to make additions, modifications and improvements to the Leased Property or any portion thereof. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

Subleasing

Under the Lease, the City may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

- the Lease and the obligation of the City to make Lease Payments thereunder must remain obligations of the City;
- the City must, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;
- no such sublease by the City may cause the Leased Property to be used for a purpose which is not authorized under the provisions of the laws of the State; and
- the City must furnish to the Authority and the Trustee a written opinion of Bond Counsel stating that such sublease does not cause the interest on the Bonds to become included in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State.

Substitution

Under the Lease, the City has the option at any time and from time to time, to substitute other real property (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), upon satisfaction of all of the requirements set forth in the Lease, which include the following requirements:

- No Event of Default under the Lease has occurred and is continuing;
- The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances (as defined in the Lease), in an amount at least equal to the estimated value thereof;
- The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City;
- The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made in the Lease;
- The City has filed with the Authority and the Trustee a written certificate of the City or other written evidencing stating that the useful life of the Substitute Property at least extends to May 1, 20__, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable under the Lease; and
- The City has mailed written notice of the substitution to each rating agency that then maintains a rating on the Bonds.

Upon the satisfaction of all conditions precedent to substitution set forth in the Lease, the Term of the Lease will thereupon end as to the Former Property and commence as to the

Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under the Lease. The Authority and the City will also make any amendments needed to be made to the Lease, and will enter into any necessary site or ground leases in connection with such substitution. Such amendments may be made without the consent of Bondowners. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments as a result of a substitution.

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Release of Leased Property

Under the Lease, the City has the option at any time and from time to time during the term of the Lease to release from the Lease any portion of the Leased Property (the "**Released Property**"); provided that the City satisfies all of the following requirements which must be satisfied prior to such release:

- No Event of Default under the Lease has occurred and is continuing;
- The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Alameda County Recorder sufficient memorialization of, an amendment hereof which removes the Released Property from the Site Lease and the Lease;
- The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease following such release is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to the Lease following such release is at least equal to the Lease Payments thereafter coming due and payable under the Lease; and
- The City has mailed written notice of the release to each rating agency that then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of the Lease will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

THE BONDS

Authority for Issuance

The Bonds are being issued under the Bond Law, the Authority Resolution, the City Resolution and the Indenture.

Description of the Bonds

The Bonds will be issued and delivered in fully-registered form without coupons in integral multiples of \$5,000 for each maturity, initially in the name of Cede & Co., as nominee for DTC, as registered owner of all Bonds. The initially executed and delivered Bonds will be dated the date of delivery (the "**Closing Date**") and mature on May 1 in the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months), at the rates shown on the inside cover page of this Official Statement.

Interest on the Bonds will be payable on May 1 and November 1 in each year, beginning May 1, 2017 (each an "**Interest Payment Date**"). Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

(a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,

(b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

(c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

The Indenture defines "**Record Date**" to mean, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except that while the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to the Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the Bonds. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM." Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal

amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Transfer, Registration and Exchange

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a description of the provisions of the Indenture relating to the transfer, registration and exchange of the Bonds.

Redemption*

Optional Redemption. The Bonds maturing on or before May 1, 202__, are not subject to optional redemption prior to their stated maturity. The Bonds maturing on or after May 1, 202__, are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on May 1, 202__, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds of insurance or an eminent domain award with respect to the Leased Property which are not applied to repair, rebuild or replace the Leased Property as provided in the Indenture, at a redemption price equal to 100% of the principal amount to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

Sinking Account Redemption. The Bonds maturing on May 1, 20__ and May 1, 20__ (the "Term Bonds") are also subject to mandatory sinking account prepayment by lot on May 1 in each year as set forth in the following tables, from sinking fund payments made by the Authority to the Principal Account pursuant to the Indenture, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest on the Term Bonds to be redeemed to the date set for redemption, without premium, as follows:

Term Bonds Maturing May 1, 20__	
Sinking Fund Prepayment Date (May 1)	Principal Amount To Be Prepaid

* Preliminary, subject to change.

**Term Bonds Maturing
May 1, 20__**

Sinking Fund
Prepayment Date
(May 1)

Principal Amount
To Be Prepaid

Notwithstanding the foregoing, if some but not all of the Term Bonds are redeemed pursuant to the optional or special mandatory provisions of the Indenture, the aggregate principal amount of the Term Bonds to be prepaid in each year thereafter under shall be reduced by the aggregate principal amount of Term Bonds so prepaid, to be allocated among sinking fund payments on a pro rata basis in integral multiples of \$5,000.

Notice of Redemption. Notice of redemption will be mailed by the Trustee, first class, postage prepaid, not more than 60 and not less than 30 days before any redemption date, to the respective registered Owners of any Bonds designated for redemption at their addresses appearing on the registration books maintained by the Trustee and to one or more Securities Depositories and the Municipal Securities Rulemaking Board. Neither the failure to receive any notice nor any defect therein will affect the proceedings for such redemption.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Effect of Redemption. If notice of redemption has been duly given, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption are held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

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

Book-Entry Only System

The Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in integral multiples of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC.

The Authority and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a beneficial Owner with respect to the Bonds or an error or delay relating thereto.

See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM" for further information regarding DTC and the book-entry system.

DEBT SERVICE SCHEDULE

The table below shows semiannual debt service payments on the Bonds, assuming no optional or extraordinary redemption.

Payment Date	Bonds Principal	Bonds Interest	Total Debt Service	Total Annual Debt Service
<hr/>				
Total				

SECURITY FOR THE BONDS

The principal of and interest on the Bonds are not a debt of the Authority (except to the limited extent described in this Official Statement) or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the Bonds and certain provisions of the Indenture and the Lease. See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a more complete summary of the Indenture and the Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Pledge of Revenues

Pursuant to the Indenture, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

The Indenture defines the term "**Revenues**" to mean (a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any additional amounts of rental pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control and (ii) any Additional Rental Payments; and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

The Indenture defines the term "**Additional Rental Payments**" to mean the amounts of additional rental payments which are payable by the City under the Lease or which are otherwise identified as Additional Rental Payments under the Lease. Under the Lease, Additional Rental Payments, include, but are not limited to, (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due, (b) all reasonable compensation to the Trustee for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture, and (c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease or the Indenture.

Pursuant to the Assignment Agreement, the Authority has assigned to the Trustee for the benefit of the Owners of the Bonds, certain of its rights under the Lease, including its right to receive Lease Payments for the purpose of securing the payment of debt service on the Bonds and the right to pursue remedies in the event the City defaults under the Lease.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY OF CONTRA COSTA (THE "COUNTY"), THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

The City covenants, under the Lease, to make Lease Payments as rental for the right to use and occupy the Leased Property under the Lease. Amounts of the scheduled Lease Payments are calculated to be sufficient to pay debt service on the Bonds when due. Lease Payments will be paid by the City semiannually to the Trustee on the Business Day immediately preceding each Interest Payment Date. Upon receipt, the Trustee will deposit the Lease Payments in the Bond Fund for the purposes of paying principal of and interest on the Bonds. The City covenants under the Lease to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such rental payments.

Under certain circumstances described in the Lease, however, Lease Payments are subject to abatement during periods of substantial interference with the City's use and occupancy of all or a portion of the Leased Property. See " - Abatement" below.

Abatement

The Lease provides that the obligation of the City to pay Lease Payments will be subject to abatement by reason of (i) any damage or destruction such that there is substantial interference with the use and occupancy of all or any portion of the Leased Property, or (ii) a temporary taking of the Leased Property or a permanent taking of a portion of the Leased Property. Such abatement will be in an amount determined by the City, such that the resulting unabated portion of the Lease Payments will represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed.

In the case of abatement due to damage or destruction of the Leased Property, such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease continues in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction.

In the case of abatement due to a partial or temporary taking of the Leased Property under the power of eminent domain, (i) the Lease shall continue in full force and effect with respect thereto and (ii) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. If all of the Leased Property is taken permanently under the power of eminent domain or sold to

a government threatening to exercise the power of eminent domain, the term of the Lease ceases as of the day such possession is taken.

Notwithstanding the foregoing, under the Lease, the Lease Payments will not be subject to abatement to the extent that amounts in the Insurance and Condemnation Fund (i.e. proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction (including rental interruption insurance)) or in the Bond Fund are available to pay Lease Payments which would otherwise be abated.

Insurance; Condemnation

Liability and Property Damage Insurance. Pursuant to the Lease, the City is required to maintain or cause to be maintained throughout the Term of the Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall 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 Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

Casualty Insurance. Pursuant to the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be deposited in the Insurance and Condemnation Fund to be applied as set forth in the Indenture.

Rental Interruption Insurance. Pursuant to the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the casualty insurance described in the preceding paragraph, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part

in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. Pursuant to the Lease, on or before the Closing Date the City shall, at its expense, obtain a CLTA title insurance policy insuring the City's leasehold estate under the Lease in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy must be deposited with the Trustee in the Bond Fund to be credited towards the prepayment of the remaining Lease Payments.

Condemnation Proceeds. Pursuant to the Indenture, if all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Authority shall deposit or cause to be deposited with the Trustee the Net Proceeds therefrom, which the Trustee shall deposit in the Insurance and Condemnation Fund under the Lease and which shall be applied and disbursed by the Trustee as follows:

(i) If the City has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds under the Indenture.

(ii) If the City has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

No assurance can be given that the proceeds of any insurance or condemnation award will be sufficient under all circumstances to repair or replace the Leased Property or to prepay all of the Lease Payments with respect to the Leased Property. Also, the City makes not representation as to the sufficiency of any insurance awards or the adequacy of any self-insurance to pay, when and as due, amounts payable under the Lease or the Bonds.

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a description of provisions of the Lease Agreement and the Trust Indenture relating to the application of proceeds from the casualty insurance or condemnation awards. See "RISK FACTORS – Abatement."

Reserve Account

Establishment of Reserve Account. Pursuant to the Indenture, the Trustee will establish and hold a fund entitled the "**Reserve Account**" within the Bond Fund. On or before each Interest Payment Date, the Trustee is required to transfer from the Bond Fund and, after making deposits into the Interest Account and Principal Account pursuant to the Indenture, deposit into the Reserve Account an amount equal to the Reserve Requirement.

Definition of Reserve Requirement. The Indenture defines "Reserve Requirement" to mean, as of the date of calculation thereof, an amount equal to the least of (a) 10% of the principal amount of the Bonds, determined in accordance with the Tax Code, (b) the maximum amount of principal of and interest on the Bonds coming due and payable on the Bonds in the current or any future Bond Year, or (c) 125% of the average amount of principal of and interest on the Bonds coming due and payable on the Bonds in the current or any future Bond Year. The Reserve Requirement may be met with the deposit of a debt service reserve policy on the Closing Date.

Use of Amounts in Reserve Account. All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying principal of or interest on the Bonds when due and payable, to the extent that moneys deposited in the Interest Account or the Principal Account are not sufficient for such purpose, and (ii) making the final payments of principal of and interest on the Bonds. If the amounts on deposit in the Reserve Account are insufficient at any time to pay the full amount of principal of and interest on the Bonds then required to be paid from the Reserve Account, the Trustee shall apply such amounts first, to the payment of interest and second, to the payment of principal.

If at any time the amounts on deposit in the Reserve Account are sufficient to enable the Authority to pay or redeem all of the Outstanding Bonds and the interest thereon, the Trustee shall apply the amounts in the Reserve Account for that purpose at the Written Request of the Authority. On the date on which all Bonds are retired under the Indenture or provision is made therefor under the Indenture, after payment of any amounts then owed to the Trustee, all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the City as a refund of overpaid Lease Payments. If the amount held in the Reserve Account on May 1 or November 1 in any year is excess of the Reserve Requirement, the Trustee shall transfer such amount to the Bond Fund to be applied in accordance with the Indenture.

Remedies

If the City defaults in performance of its obligations under the Lease, the Authority or the Trustee, as assignee of the Authority, may either terminate the Lease and re-enter and re-let all or a portion of the Leased Property or may retain the Lease and hold the City liable for all payments on an annual basis and still have the right to re-enter and re-let the Leased Property without effecting a surrender of the Lease. Additionally, the Trustee may pursue remedies at law or in equity to enforce the Lease.

Although the Lease and the Indenture provide that the Trustee, as assignee of the Authority, may take possession of the Leased Property if there is a default by the City, and the Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of the Leased Property may not be easily recoverable and, even if recovered, could be of little value to others. There can be no assurance that the Leased Property can be re-let for an amount equal to all outstanding Lease Payments. Due to the essential nature of the governmental functions of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. In addition, the remedy of repossession and re-letting may prove to be unavailable or not economically viable with respect to all or portions of the Leased Property because the Authority has only a leasehold or other possessory right to some of the Leased Property. Therefore, repossession of the Leased Property in such instances may not be an available remedy. In addition, assuming the Leased Property could be repossessed, it may prove functionally impossible to relet.

THE AUTHORITY

The Authority was formed pursuant to a Joint Exercise of Powers Agreement dated as of August 1, 2003 (the "**Joint Exercise of Powers Agreement**"), between the City and the former Redevelopment Agency of the City of Oakley (the "**Former Agency**"). The Authority was formed for the purpose, among others, of assisting the City in the acquisition, construction and financing of public improvements that are of public benefit to the City. The City Council acts as the Board of the Authority. The Mayor and the Vice Mayor of the City serve as the Chairman and Vice-Chairman, respectively, the City Manager serves as the Executive Director, the City Clerk serves as the Secretary, and the City's Finance Director serves as the Treasurer of the Authority.

The Successor Agency to the Oakley Redevelopment Agency (the "**Successor Agency**") has succeeded to the rights and obligations of the Former Agency under the Joint Exercise of Powers Agreement as a result of amendments to the California Community Redevelopment Law. The City Council sits as the board of the Successor Agency and the Successor Agency functions, in essence, as a department of the City.

THE CITY

General

Location. The City is situated in the eastern portion of the County, along the shore of the Sacramento-San Joaquin Delta, near the cities of Pittsburg, Antioch, and Brentwood. Close to the junction of Highways 4 and 160, with access to San Francisco, the Silicon Valley, and Sacramento, the City is equidistant from both San Francisco and Sacramento at 55 miles.

The City enjoys close proximity to major regional employment areas, including San Francisco and the northern Bay Area, Walnut Creek and the San Ramon corridor in Contra Costa County and the Stockton and central San Joaquin Valley area to the east. The City also enjoys close proximity to major regional recreation areas, including Mt. Diablo State Park approximately 25 miles to the west, the Sierra Nevada Mountains 90 miles to the east and the Sacramento Delta waterway to the north.

City Government. The City is a community of approximately 40,141 located in the eastern portion of the County. The City was incorporated on July 1, 1999, and is operated under a Council-City Manager structure of government. The City Council is comprised of five members elected by the voters citywide, serving in staggered 4-year terms. The City Council hires a City Manager to run the City's day-to-day operations.

The City Council of the City currently consists of the following persons:

<u>Council Member</u>	<u>Title</u>	<u>Expiration of Term</u>
Kevin Romick	Mayor	December 2016
Sue Higgins	Vice Mayor	December 2018
Doug Hardcastle	Councilmember	December 2016
Vanessa Perry	Councilmember	December 2016
Randy Pope	Councilmember	December 2018

City Services. The City provides the following services: Legislative, Administrative, Building and Safety; Planning; Engineering; Streets; Parks and Landscaping Maintenance; Recreation; and Police Protection. Sewer, Water, Transit, Irrigation, Mosquito Abatement, Flood Control, Schools, and Fire Protection Services are all provided by local special districts with their own governing boards. The City contracts for sanitation service with a local firm under a long-term franchise agreement.

CITY FINANCIAL INFORMATION

Budget Process

Annual Budget Process. Each year, the City Council holds a strategic planning discussion and adopts a budget to direct the allocation of City resources in accordance with its strategic planning priorities. The process typically begins in January with internal budget reviews, followed by a strategic planning session in March, a budget workshop in May to discuss a Proposed Budget, and adoption of a final Recommended Budget in June.

The City operates on a fiscal year that begins July 1 and ends on June 30. The adopted Budget includes the annual update of the City's Comprehensive Statement of Financial Policies, which serves as a framework for its financial practices, an update to its 10 Year Plan, and budgets for each of the funds under the City's control. Budgetary control is established at the fund level.

The City's General Fund is its primary operating fund, and is used to account for Legislative, Administrative Services, Community Development, Recreation, Police and Public Works operations, and is where the City accounts for all its general-purpose revenues. It is distinguished from the City's other governmental funds that are used to account for special purpose revenues, capital projects, debt service activities, and monies held for the benefit of others.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, on June 30, 1999 ("**GASB Statement No. 34**"). GASB Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) government-wide financial statements prepared using the economic measurement focus and the accrual basis of accounting and fund financial statements prepared using both the current financial resources measurement focus and the modified accrual method of accounting (governmental funds) and funds using the economic measurement focus and the accrual basis of accounting (proprietary funds) and (iii) required supplementary information. The City's financial statements are prepared in conformance with the requirements of GASB Statement No. 34.

Adopted Fiscal Year 2016-17 Budget. The City's budget for fiscal year 2016-17 (the "**2016-17 Budget**") anticipates approximately \$11.6 million in revenue, an 4.2% increase from revenue budgeted in the City's budget for fiscal year 2015-16 (the "**2015-16 Budget**"). The City's general fund operating expenditure plan presented in the 2016-17 Budget totals approximately \$10.1 million and represents an 8.9% decrease from the 2015-16 Budget.

General Fund Budgets

The following table shows the City's General Fund adopted budget for the most recent three fiscal years, and the actual amounts (budgetary) for the two most recently completed fiscal years.

Table 1
City of Oakley
General Fund Budgets
For Fiscal Years 2014-15 through 2016-17

	Amended Budget FY 2014-15	Audited FY 2014-15	Amended Budget FY 2015-16	Unaudited FY 2015-16	Adopted Budget FY 2016-17
Revenues:					
Property taxes	\$4,644,150	\$4,832,574	<u>\$5,233,000</u>	<u>\$5,323,685</u>	<u>\$5,487,000</u>
Sales taxes	1,346,500	1,506,300	<u>1,693,000</u>	<u>1,752,799</u>	<u>1,755,000</u>
Other taxes	1,483,000	1,494,472	<u>1,493,000</u>	<u>1,645,472</u>	<u>1,575,000</u>
Licenses and permits	803,038	1,284,503	<u>1,132,700</u>	<u>2,024,190</u>	<u>1,185,600</u>
Charges for services	54,000	74,901	<u>47,000</u>	<u>108,808</u>	<u>74,000</u>
Fines and forfeits	151,500	135,352	<u>151,500</u>	<u>138,383</u>	<u>127,500</u>
Intergovernmental:					
Mother vehicle in lieu	16,000	15,603	=	<u>15,651</u>	<u>15,000</u>
Other	334,559	527,342	<u>341,000</u>	<u>399,284</u>	<u>405,442</u>
Use of money and property	197,000	238,815	<u>207,000</u>	<u>229,280</u>	<u>201,000</u>
Miscellaneous	869,382	935,706	<u>868,583</u>	<u>1,115,821</u>	<u>804,822</u>
Total revenues	<u>9,899,129</u>	<u>11,045,568</u>	<u>11,166,783</u>	<u>12,772,318</u>	<u>11,630,364</u>
Expenditures:					
Current:					
Legislative	499,344	449,349	<u>499,634</u>	<u>482,763</u>	<u>671,612</u>
Administrative services	1,472,596	1,287,373	<u>1,490,491</u>	<u>1,335,242</u>	<u>1,900,773</u>
Community development	1,410,919	1,345,552	<u>1,681,022</u>	<u>1,592,691</u>	<u>1,663,263</u>
Public works	672,576	611,690	<u>782,281</u>	<u>618,182</u>	<u>887,623</u>
Law enforcement	5,276,714	4,523,333	<u>6,078,328</u>	<u>4,498,740</u>	<u>4,345,512</u>
Recreation	528,289	433,155	<u>507,074</u>	<u>492,798</u>	<u>585,437</u>
Capital Outlay	--	--	<u>1,420,000</u>	<u>676,829</u>	<u>715,000</u>
Estimated reduction in value of land held for redevelopment	--	40,000	=	=	=
Total expenditures	<u>9,860,438</u>	<u>8,690,452</u>	<u>12,458,830</u>	<u>9,697,245</u>	<u>10,769,220</u>
Excess (deficiency) of revenues over (under) expenditures	38,691	2,355,116	<u>(1,292,047)</u>	<u>3,075,073</u>	<u>861,144</u>
Other Financing Sources (Uses):					
Proceeds from sale of property	135,000	10,000	<u>139,000</u>	<u>79,035</u>	=
Transfers in	--	1,852	=	<u>593</u>	=
Transfers (out)	<u>(1,432,500)</u>	<u>(1,432,500)</u>	<u>(1,530,000)</u>	<u>(1,530,000)</u>	<u>(4,500,000)</u>
Total other financing sources (uses)	<u>(1,297,500)</u>	<u>(1,420,648)</u>	<u>(1,391,000)</u>	<u>(1,450,372)</u>	<u>(4,500,000)</u>
Net Change in Fund Balance before Special Items	(\$1,258,809)	934,468	<u>(\$2,683,047)</u>	<u>1,624,701</u>	<u>(\$3,638,856)</u>
Special Items: Assets transferred to/from Successor Agency	--	(274,305)	=	<u>2,903,630</u>	=
Fund Balances:					
Beginning of year	--	12,381,961	=	<u>13,042,124</u>	=
End of year	--	<u>\$13,042,124</u>	=	<u>\$17,570,455</u>	=

Source: City of Oakley.

City Financial Policies

The City Council provides long-term policy guidance to City staff for conducting the City's financial activities through its Statement of Financial Policies (the "Financial Policies"). Following is a brief summary of certain of provisions of the Financial Policies.

Operating Budget Policies. The City Council will adopt a balanced budget by June 30 of each year. An annual base operating budget will be developed by verifying or conservatively projecting revenues and expenditures for the current and forthcoming fiscal year. The purchase of new or replacement capital equipment with a value of \$25,000 or more and with a useful life of two years or more will require City Council approval. The City will avoid budgetary and accounting procedures which balance the current budget at the expense of future budgets.

All recommended increased appropriations of general purpose revenues, General Fund reserves, or that transfer appropriations between funds during the year will be presented to the City Council for approval. Amendments made to authorize spending of increased or new special purpose revenues may be approved by the City Manager.

Revenue Policies. The City will work to develop a diversified and stable revenue system to protect it from short-term fluctuations in any one revenue source. User fees will be adjusted bi-annually to recover the full cost of services provided, except when the City Council determines that a subsidy from the General Fund is in the public interest.

Capital improvements will be financed primarily through user fees, service charges, impact fees, or developer agreements when benefits can be specifically attributed to users of the facility. For projects financed with debt, the fees, charges, and/or contractual payments will be established at a level sufficient to fund the project in its entirety, including the repayment of principal and interest on amounts borrowed. The City will consider future operations and maintenance costs as part of each project's financing plan and ensure that funding sources are identified to properly operate and maintain the improvements when constructed.

Expenditure Policies. The City will maintain a level of expenditure which will provide for the public well-being and safety of the residents of the community.

Capital Budget and Improvement Budget Policies. The City will develop an annual Five-Year Plan for Capital Improvements, including sections for capital improvement program ("CIP") design, development, implementation, and operating maintenance costs. The City will identify the estimated capital and ongoing operations and maintenance costs, potential funding sources and project schedule for each capital project proposal before it is submitted to the City Council for approval.

The City will coordinate development of annual capital improvement budget with the development of the operating budget. All costs for internal professional services needed to implement the CIP will be included in the operating budget for the year the CIP is to be implemented. The Capital Budget will be based on the CIP, and each project's unused appropriations at each year-end will be automatically rolled over to the subsequent year, until the project is completed. Additions to project funding plans required City Council approval. Changes that do not increase funding levels may be approved by the City Manager.

Reserve Policies. The City will maintain General Fund emergency reserves at a level at least equal to 20% of general fund operating expenditures. The primary purpose of these

reserves is to project the City's essential service programs and funding requirements during periods of economic downturn (defined as a recession lasting two or more years) or other unforeseen catastrophic costs not covered by the City's Contingency Reserve. Should the balance in the reserve fall below the 20% threshold, a plan to restore the level over a period of no more than five years will be included in each proposed annual budget reviewed with the City Council until the reserve has been returned to at least 20%.

Financial Statements

Accounting Policies. The basic financial statements of the City are prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") as applied to governmental agencies. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for additional information regarding the City's accounting policies.

Audited Financial Statements. The City's most recent audited financial statements for the fiscal year ending June 30, 2015, are attached as "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015" to this Official Statement, and were prepared by the City and audited by Maze & Associates, Pleasant Hill, California (the "**Auditor**"). *The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or the General Fund. In addition, the Auditor has not reviewed this Official Statement.*

The following table sets forth the general fund balance sheets of City for the last five fiscal years.

Table 2
City of Oakley
General Fund Balance Sheet
As of June 30 for Fiscal Years 2010-11 through 2014-15

	Audited FY 2010-11	Audited FY 2011-12	Audited FY 2012-13	Audited FY 2013-14	Audited FY 2014-15
Assets:					
Cash and investments available for operations	\$6,025,501	\$6,950,848	\$7,729,247	\$9,030,853	\$9,929,996
Accounts receivable, net allowance of doubtful accounts	563,119	597,839	1,246,305	922,043	880,715
Interest receivable	5,799	4,718	3,508	4,691	5,809
Due from other funds	--	50,464	802,819	8,279	--
Prepaid and deposits	193,962	20,857	27,834	22,832	27,868
Loans receivable	1,102,823	1,089,299	792,131	1,161,299	1,856,589
Advances to other funds	169,962	186,936	258,658	247,715	308,232
Lands held for resale or redevelopment	1,998,435	1,998,435	2,222,235	2,222,235	2,182,235
Total assets	10,059,601	10,899,396	13,082,737	13,619,947	15,191,444
Liabilities:					
Accounts payable	1,359,409	1,246,144	1,534,484	683,049	1,257,734
Accrued liabilities	32,587	40,473	40,288	57,710	115,608
Deposits payable	--	--	--	782	782
Unearned revenue	--	--	320,709	301,183	603,755
Deferred revenue	759,242	855,270	--	--	--
Advances from other funds	--	--	--	--	--
Total liabilities	2,151,238	2,141,887	1,895,481	1,042,724	1,977,879
Deferred inflows of resources:					
Unavailable revenue – accounts receivable	--	--	184,862	195,262	171,441
Fund Balances:					
Nonspendable	2,847,266	2,842,611	3,300,858	3,654,081	4,374,924
Restricted	559,498	559,498	559,498	559,498	559,498
Assigned	155,097	100,000	991,000	331,289	169,534
Unassigned	4,346,502	5,255,400	6,151,038	7,837,093	7,938,168
Total fund balances	7,908,363	8,757,509	11,002,394	12,381,961	13,042,124
Total liabilities and fund balances	\$10,059,601	\$10,899,396	\$13,082,737	\$13,619,947	\$15,191,444

Source: City of Oakley Audited Financial Statements.

The table on the next page sets forth the statement of revenues, expenditures and changes in fund balances for the City's general fund for the last five fiscal years.

Table 3
City of Oakley
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2010-11 through 2014-15

	Audited FY 2010-11	Audited FY 2011-12	Audited FY 2012-13	Audited FY 2013-14	Audited FY 2014-15
Revenues:					
Property taxes	\$3,877,581	\$3,687,678	\$4,317,823	\$4,014,795	\$4,832,574
Sales tax	1,412,503	1,590,120	1,617,770	1,520,884	1,506,300
Other taxes	1,076,464	1,193,150	1,311,245	1,425,552	1,494,472
License and permits	950,157	989,965	1,178,075	1,344,949	1,284,503
Charges for services	41,952	74,316	53,561	75,691	74,901
Fines and forfeits	149,247	135,650	180,872	158,778	135,352
Intergovernmental:					
Motor vehicle in lieu	159,316	17,809	18,727	15,804	15,603
Other	95,647	268,597	315,323	245,806	527,342
Developer fees	--	--	--	--	--
Special assessments	--	--	--	--	--
Loan repayments	--	--	--	--	--
Use of money and property	78,544	95,731	101,101	146,097	238,815
Miscellaneous	1,158,748	772,233	964,584	804,405	935,706
Total revenues	9,000,159	8,825,249	10,059,081	9,752,761	11,045,568
Expenditures:					
Current:					
Legislative	483,120	452,139	480,552	433,151	449,349
Administrative services	783,216	765,904	918,430	1,110,343	1,287,373
Community development	1,238,715	1,175,328	1,282,663	1,225,658	1,345,552
Public works	351,629	384,988	469,813	609,450	611,690
Housing programs	--	--	--	--	--
Law enforcement	4,737,030	4,664,278	4,214,760	4,282,445	4,523,333
Recreation	237,722	272,003	315,720	371,742	433,155
Capital outlay	110,612	93,186	64,673	--	--
Estimated reduction in value of land held for redevelopment	--	--	--	--	40,000
Debt service:					
Principal	--	--	--	--	--
Interest and fiscal charges	--	--	--	--	--
Total expenditures	7,942,044	7,807,826	7,746,611	8,032,789	8,690,452
Excess of revenues over (under) expenditures	1,058,115	1,017,423	2,312,470	1,719,972	2,355,116
Other financing sources (uses):					
Proceeds from sale of property	--	--	--	--	10,000
Transfers in	7,595	2,723	203	807	1,852
Transfers (out)	(102,500)	(171,000)	(67,788)	(341,212)	(1,432,500)
Total other financing sources (uses)	(94,905)	(168,277)	(67,585)	(340,405)	(1,420,648)
Net Change in Fund Balances before Special Items	963,210	849,146	2,244,885	1,379,567	934,468
Special Items: Assets transferred to/from Successor Agency					
Net Change in Fund Balances	963,210	849,146	2,244,885	1,379,567	(274,305)
Fund Balances (Deficit) At Beginning of Year	6,945,153	7,908,363	8,757,509	11,002,394	12,381,961
Fund Balances (Deficit) At End of Year	\$7,908,363	\$8,757,509	\$11,002,394	\$12,381,961	\$13,042,124

Source: City of Oakley Audited Financial Statements.

General Fund Revenues

Revenues received by the City for the two most recent fiscal years for which audited financial statements are available, as well projected amounts for fiscal year 2015-16 and adopted budget numbers for fiscal year 2016-17, are set forth in the table below.

Table 4
City of Oakley
General Fund Revenues by Source - General Governmental Activities

Revenue	Audited FY 2013-14	Audited FY 2014-15	Projected FY 2015-16	Adopted Budget FY 2016-17
Interfund Charges for Services	\$4,818,000	\$5,296,000	\$5,512,000	\$5,602,000
Property Taxes	3,868,000	4,681,000	5,083,000	5,337,000
Sales Tax	1,521,000	1,506,000	1,693,000	1,755,000
Franchise Fees	1,230,000	1,298,000	1,293,000	1,375,000
Developer Fees	1,261,000	1,034,000	943,000	988,000
Other Revenues	448,000	610,000	395,000	466,000
Intergovernmental Revenues	262,000	543,000	395,000	395,000
Transient Occupancy Taxes	195,000	196,000	200,000	200,000
Property Transfer Taxes	147,000	152,000	150,000	150,000
Interest Income	58,000	119,000	130,000	130,000
Business License Fees	111,000	119,000	110,000	110,000
Sale of Property	--	10,000	139,000	--

Source: City of Oakley Audited Financial Statements; City of Oakley.

Property Taxes

General. The City receives two significant types of property taxes: (1) the City's share of 1% *ad valorem* tax on property collected by the County; and (2) Property Tax In Lieu of Vehicle License Fees. Both types of taxes are driven primarily by changes in assessed values. The City anticipates an increase of 5% in citywide assessed values in fiscal year 2016-17. The City's fiscal year 2016-17 Budget includes estimated revenues from *ad valorem* property taxes totaling \$2,708,000 and Property Taxes in Lieu of Vehicle License Fees totaling \$2,629,000.

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property 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 public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Teeter Plan. The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the City, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies on secured property for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections, which includes the City.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the City) for which the County acts as the tax-levying or tax-collecting agency.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-1976 fiscal year serves as the original base year used in determining

the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a "decline-in-value." As of January 1st (lien date) each year, the Assessor must enroll either a property's Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a "Proposition 8 Value." "Proposition 8 values" are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

Assessed Valuation History. The following table shows a 10 year history of the City's assessed valuation.

Table 5
City of Oakley
Assessed Valuations of All Taxable Property
Fiscal Years 2007-08 to 2016-17

	Local Secured	Utility	Unsecured	Total Assessed Value	Percent Change
2007-08	<u>\$3,516,634,838</u>	<u>\$--</u>	<u>\$46,879,096</u>	<u>\$3,563,513,934</u>	<u>=</u>
2008-09	<u>3,329,132,158</u>	<u>--</u>	<u>47,300,156</u>	<u>3,376,432,314</u>	<u>(5.2)%</u>
2009-10	<u>2,588,417,580</u>	<u>--</u>	<u>47,327,006</u>	<u>2,635,744,586</u>	<u>(21.9)</u>
2010-11	<u>2,520,711,019</u>	<u>846,225</u>	<u>40,254,897</u>	<u>2,561,812,141</u>	<u>(2.8)</u>
2011-12	<u>2,409,580,854</u>	<u>62,100</u>	<u>51,914,272</u>	<u>2,461,557,226</u>	<u>(3.9)</u>
2012-13	<u>2,398,318,990</u>	<u>1,582,100</u>	<u>47,003,277</u>	<u>2,446,904,367</u>	<u>(0.6)</u>
2013-14	<u>2,586,815,876</u>	<u>1,802,200</u>	<u>40,593,445</u>	<u>2,629,211,521</u>	<u>7.5</u>
2014-15	<u>3,118,298,832</u>	<u>5,142,200</u>	<u>37,876,446</u>	<u>3,161,317,478</u>	<u>20.2</u>
2015-16	<u>3,369,002,931</u>	<u>5,302,200</u>	<u>42,377,574</u>	<u>3,416,682,705</u>	<u>8.1</u>
2016-17	<u>3,639,437,537</u>	<u>5,452,200</u>	<u>48,080,641</u>	<u>3,692,970,378</u>	<u>8.1</u>

Source: California Municipal Statistics, Inc.

Major Property Taxpayers. The following table shows the 20 largest taxpayers in the City as determined by their secured assessed valuations in 2016-17.

**Table 6
City of Oakley
Largest 2016-17 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2016-17 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Brookfield Emerson Land LLC	Residential Development	\$ 41,175,270	1.13%
2.	Cypress Square-S&R Associates	Shopping Center	18,744,342	0.52
3.	Richmond American Homes of Maryland	Residential Development	14,223,308	0.39
4.	East County Communities LLC	Residential Development	14,042,816	0.39
5.	Chemours Company FC LLC	Industrial	12,539,347	0.34
6.	Neroly Sports Club Investors	Athletic Club	12,443,853	0.34
7.	CC County Communities LLC	Undeveloped	12,200,000	0.34
8.	HPH Properties LP	Industrial	10,264,376	0.28
9.	Shea Homes LP	Residential Development	9,628,711	0.26
10.	Emerson 86 Lots LLC	Residential Development	8,763,000	0.24
11.	Shurgard Storage Centers Inc.	Industrial	8,496,000	0.23
12.	Forecast Land Investment LLC	Undeveloped	7,750,021	0.21
13.	Oakley Hotels LLC	Hotel	7,557,878	0.21
14.	Simon-Oakley Town Center LLC	Shopping Center	7,546,700	0.21
15.	Lucky No Cal Investor LLC	Shopping Center	7,303,216	0.20
16.	WEC 98D-30 LLC	Shopping Center	5,781,218	0.16
17.	Mission Mile LLC	Shopping Center	5,076,249	0.14
18.	Towncentre Commons LP	Residential Properties	4,792,835	0.13
19.	Hayworth-Fabian LLC	RV Storage	4,513,554	0.12
20.	4S Investments LLC	Service Station/Mart	4,330,240	0.12
			<u>\$217,172,934</u>	<u>5.97%</u>

(1) Fiscal Year 2016-17 Local Secured Assessed Valuation: \$3,639,437,537.
Source: California Municipal Statistics, Inc.

Sales Taxes

The City receives a share of sales taxes when the point of sale is located in the City. While the City does not yet have a large commercial base, business activity is expected to grow over time and revenues projected to increase. For fiscal year 2016-17, the estimated sales taxes are \$1,755,000, an increase of 3.6% adjusted for one-time true up payment in fiscal year 2015-16 for the end of the sales tax "Triple Flip."

Sales Tax Rates. The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by the State Board of Equalization) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the "Sales and Use Tax Law"), as shown below. As part of the State's fiscal year 2003-04 Budget, the State Legislature authorized, and the voters of the State approved, a redirection to the State from local jurisdictions (including the City) of sales revenues in the amount of 0.25% of the basic 1.0% local sales tax rate, starting July 1, 2004. The State uses such revenues to pay the State's economic recovery bonds. Under the California Economic Recovery Act, which includes legislation commonly referred to as the "Triple Flip", the State redirected certain property taxes in the Education Augmentation Revenue Fund to local governments, including the City, to compensate for this redirection of sales taxes on a "dollar for dollar" basis. The "Triple Flip" ended in fiscal year 2015-16.

Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**Table 7
City of Oakley
Sales Tax Rates
As of July 1, 2016**

<u>Component</u>	<u>Rate</u>
State (General Fund)	3.9375%
State (Fiscal Recovery Fund)	0.2500
State (Local Revenue Fund 1991 Realignment)	0.5000
State (Local Revenue Fund 2011)	1.0625
State (Local Public Safety Fund)	0.5000
State (Education Protection Account)	0.2500
Total State-Wide Tax Rate	6.5000%
City	1.0000%
County Transportation	.2500
Transit/Special (BART)	.5000
Proposition 172 ⁽¹⁾	.5000
Total City of Oakley Tax Rate	8.5000%

(1) Proposition 172 put a one-half percent state sales tax rate in the Section 35, Article XIII of the California Constitution, effective January 1, 1994. Under Proposition 172, all revenues from the additional one-half percent sales tax can be used only for local public safety activities, to include police and sheriffs' departments, fire protection, county district attorneys, county probation, and county jail operations.
Source: *California State Board of Equalization.*

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's July 2014 Publication No. 61 entitled "Sales and Use Taxes:

Exemptions and Exclusions," which can be found on the State Board of Equalization's website at <http://www.boe.ca.gov/>. The City and the Authority do not take any responsibility for the continued accuracy of the foregoing internet address or for the accuracy, completeness or timeliness of information on such website, and such information is not incorporated herein by this reference.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the State Board of Equalization first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any city, city and county, or county are required to be transmitted by the State Board of Equalization to such city, city and county, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

History of Taxable Transactions. Total taxable sales during calendar year 2014 in the City were reported to be approximately \$128.9 million, a 6.81% increase over the total taxable sales of approximately \$137.6 million reported during calendar year 2013. Figures are not yet available for calendar year 2015.

Table 8
City of Oakley
Number of Permits and Valuation of
Taxable Transactions
(in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2010	290	\$92,756	407	\$124,283
2011	269	97,365	397	131,946
2012	278	98,355	410	132,691
2013	281	106,159	405	128,857
2014	279	111,264	404	137,635

Source: California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*.

Other Taxes and Revenues

Interfund Charges for Services. Interfund Charges for Services is the largest revenue of the City. More than one-third of the fiscal year 2016-17 General Fund revenue categories are cost recoveries for activity funded by impact fees, developer application fees, special taxes assessments and other special purpose revenues. For fiscal year 2016-17, estimated Interfund Charges for Police Services total approximately \$3.7 million, for Engineering Services total approximately \$1.2 million, for Public Works Maintenance total approximately \$252,000, for Planning Services total approximately \$30,000, for Parks Maintenance Services total approximately \$400,000, and for Other Services total approximately \$80,000.

Other Taxes. In addition to the property and sales taxes, the City collects a transient occupancy (hotel) tax, utility franchise fees, property transfer taxes, and business license taxes. For fiscal year 2016-17, estimated total other taxes are \$1,835,000, an increase of \$94,000 over fiscal year 2015-16, as a result of anticipated increases in franchise fee revenues.

Intergovernmental Revenues. The City receives revenue from various other governmental agencies in the form of grants, motor vehicle tax, school resource officer reimbursements, vehicle abatement, recycling grants and administrative charges. For fiscal year 2016-17, total intergovernmental revenues are projected to total approximately \$395,400.

Utility Franchise Fee. The utility franchise fee is comprised of a tax on electric, gas, garbage, and cable.

The City's history of enactments regarding its utility franchise fee is summarized as follows:

**Table 9
City of Oakley
Utility Franchise Fee History**

<u>Effective Date</u>	<u>Utility Covered</u>	<u>Rate</u>
1999	Gas & Electric	2%
2006	Cable TV	5%
2010	Garbage	8% ⁽¹⁾

(1) Subject to an annual adjustment of .5% to 12%.

Source: City of Oakley.

Transient Occupancy (Hotel) Tax. The City currently levies a transient occupancy tax on hotel and motel bills equal to 10%. The transient occupancy tax is a tax paid by hotel and motel guests who spend fewer than 30 consecutive days in a hotel or motel in the City.

State Budgets

Set forth in the following paragraphs are descriptions of the State budget process, the current State budget situation, and the potential impacts on the City.

The Budget Process. Through the State budget process, the State can enact legislation that significantly impacts the source, amount and timing of the receipt of revenues by local agencies, including the City. As in recent years, State budget deficits can result in legislation that adversely impacts local agency budgets.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. Prior to the November 2, 2010 California General Election, the Budget Act required approval by a two-thirds majority vote of each House of the Legislature. On November 2, 2010, California voters passed Proposition 25, which amended this legislative vote requirement to a simple majority. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent Official Statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only; the City and the Authority do not take any responsibility for the continued accuracy of the such internet addresses or for the accuracy, completeness or timeliness of information on such websites, and such information is not incorporated herein by this reference.

- The California State Treasurer Internet home page for the Public Finance Division at www.treasurer.ca.gov/bonds/, under the heading "Bond Sales," posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on local governments in the State.
- The California State Treasurer's Office Internet home page for the Public Finance Division at www.treasurer.ca.gov/bonds/, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Reoffering Circular, which discusses the State budget and its impact on local agencies in the State.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst's Office ("LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the LAO's Internet home page at www.lao.ca.gov under the heading "Products."

The State has not entered into any contractual commitment with the City, the Authority or the owners of the Bonds to provide State budget information to the City or the owners of the Bonds. Although the City and the Authority believe the State sources of information listed above are reliable, the City and the Authority assume no responsibility for the accuracy of the State budget information set forth or referred to herein.

Fiscal Year 2016-17 State Budget. On June 27, 2016, the Governor signed the Fiscal Year 2016-17 State Budget Act (the "**2016-17 State Budget**"). The 2016-17 State Budget includes \$122.5 billion in general fund spending and \$44.6 billion in special fund spending, along with \$3.6 billion in bond spending. The 2016-17 State Budget includes more money for higher education, repeals a cap on welfare payments, raises rates for child care providers and puts an additional \$3.3 billion into the State's rainy-day reserve, including an optional \$2 billion shift to protect against a future economic downturn. The 2016-17 State Budget also establishes a multiyear plan that is balanced and that, among other items, provides for the following:

- contributions to both state budget reserves: the Special Fund for Economic Uncertainties, the state's discretionary reserve, and the Budget Stabilization Account, the state's constitutional rainy day fund, raising such reserves to \$6.7 billion;
- an increase of more than \$1.3 billion in one-time discretionary general funds for school districts, charter schools and county offices of education to use at local discretion (for activities such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards);
- \$807 million for statewide deferred maintenance at levees, state parks, universities, community colleges, prisons, state hospitals, and other state facilities;
- a \$3.1 billion cap-and-trade expenditure plan to reduce greenhouse gas emissions;
- over \$2 billion in funds for various infrastructure improvements, \$688 million for critical deferred maintenance at levees, state parks, universities, community colleges, prisons, state hospitals, and other state facilities;
- a \$1.2 billion pay-down of debt and liabilities from Proposition 2 funds; and
- \$710 million to pay for the costs of wildfires and for other effects of the drought.

Future State Budgets. The City and the Authority cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Decrease in such revenues may have an adverse impact on the City's ability to pay the Lease Payments securing the Bonds.

Long-Term Obligations

After the issuance of the Bonds and the refunding of the 2006 Certificates, the City will not have any long-term obligations payable from its General Fund other than its obligations under the Lease.

Employee Relations

The City had 75 authorized positions at the beginning of fiscal year 2015-16. None of the City's employees were represented by bargaining units during fiscal year 2015-16. Commencing July 1, 2016, the City formed the City of Oakley Police Department. City police officers are represented by the Oakley Police Officers Association and are currently under a contract that expires on June 30, 2019.

Risk Management

The City is a member of the Municipal Pooling Authority of Northern California (the "Pooling Authority"). The Pooling Authority provides coverage against various types of loss risks under the terms of a joint-powers agreement with the City and several other cities and

governmental agencies. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for additional information about the City's risk management practices.

Employee Retirement System

This section contains certain information relating to California Public Employees' Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City and the Authority have not independently verified the information provided by CalPERS and make no representations and express no opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The City and the Authority do not take any responsibility for the continued accuracy of the foregoing internet address or for the accuracy, completeness or timeliness of information on such website, and such information is not incorporated herein by this reference. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

CalPERS Plan Description. All qualified permanent, probationary and part-time employees are eligible to participate in the City's Miscellaneous Employee Pension Plans (collectively, the "Plans" and individually referred to herein as "Classic Tier 1," "Classic Tier 2" and "PEPRA Tier 3"), cost-sharing multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and City resolution.

CalPERS Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each Plan are applied as specified by the Public Employee's Retirement Law.

In August 2010, the City Council authorized an amendment to the contract between the City and the CalPERS in order to establish a Tier 2 retirement benefits structure. The Tier 2 changed the retirement benefit plan from 2.5% at 55 to 2% at 60 to new miscellaneous employees hired on or after October 18, 2010. A Tier 3 structure was established to implement the provisions of the Pension Reform Act of 2013 ("PEPRA"), Assembly Bill 340, and is applicable to employees new to CalPERS, and hired after December 31, 2012, and not subject to grandfathering into the previously existing Tier 2 Plan. See "– California Public Employees' Pension Reform Act of 2013" below for further discussion regarding PEPRA. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Prior to	On or after	On or after

Hire Date	October 18, 2010	October 18, 2010	January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	18.170%	8.435%	6.25%

Contributions. Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Contributions - employer	\$189,460	\$64,162	\$42,991

Implementation of GASB Nos. 68 and 71. In June 2012 and November 2013, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* ("GASB Statement No. 68") and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* ("GASB Statement No. 71"), respectively. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions and improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

In particular, GASB Statement No. 68 requires a state or local government employer such as the City to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, GASB Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer that arise from other types of events. GASB Statement No. 68, as amended requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability and that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported only if it is practical to determine all such amounts.

As a result of the implementation of GASB Statement No. 68 as amended by GASB Statement No. 71, the beginning net position of the City's Governmental Activities was reduced by approximately \$1.2 million for fiscal year 2014-15.

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions. As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Net Pension Liability</u>
Classic Tier 1	\$1,086,857
Classic Tier 2	15,376
PEPRA Tier 3	--
Total Net Pension Liability	<u>\$1,102,233</u>

The City's net pension liability for each Plan is measured as the proportionate share of net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Classic Tier 1</u>	<u>Classic Tier 2</u>
Proportion - June 30, 2013	0.04276%	0.00064%
Proportion - June 30, 2014	0.04398	0.00062
Change - Increase (Decrease)	0.00122	(0.00002)

For the year ended June 30, 2015, the City recognized pension expense of \$40,717. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$296,613	--
Differences between actual and expected experience	--	--
Changes in assumptions	--	--
Change in employer's proportion of differences between the employer's contributions and the employers proportionate share of contributions	--	(\$303,523)
Net differences between projected and actual earnings on plan investments	--	(26,656)
Total	<u>\$296,613</u>	<u>(\$330,179)</u>

Deferred outflows of resources related to contributions subsequent to the measurement date in the amount of \$296,613 as described above will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2016	(\$85,402)
2017	(85,402)
2018	(83,495)
2019	(75,880)
2020	--
Thereafter	--

Recent CalPERS Actions. At its April 17, 2013, meeting, CalPERS' Board of Administration (the "CalPERS Board") approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy was used for the first time in the June 30, 2013, actuarial valuations in setting employer contribution rates for fiscal year 2015-16.

On February 18, 2014, the CalPERS Board approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The CalPERS Board also assumed earlier retirements for Police 3% at age 50, Fire 3% at 55, and Miscellaneous 2.7% at 55 and 3% at 60, which will increase costs for those groups. As a result of these changes, rates will increase beginning in fiscal year 2016-17 (based on the June 30, 2014 valuation) with full impact in fiscal year 2020-21.

On November 18, 2015, the CalPERS Board adopted a funding risk mitigation policy intended to incrementally lower its discount rate - its assumed rate of investment return - in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.5%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through CalPERS' web site at the following website address: <https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy>. *The reference to this Internet website is provided for reference and convenience only. The City and the Authority do not take any responsibility for the continued accuracy of the foregoing internet address or for the accuracy, completeness or timeliness of information on such website, and such information is not incorporated herein by this reference.*

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into PEPR, which impacted various aspects of public retirement systems in the State, including the CalPERS programs. In general, PEPR (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPR applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPR's provisions went into effect on January 1, 2013 with respect to new State, school, and city and

local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the City, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

CalPERS has predicted that the impact of PEPRA on employees and employers, including the City and other employers in the CalPERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

The City is unable to predict the amount of future contributions it will be required to make to CalPERS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the CalPERS employer contributions that may be adopted in the future.

No Other Post-Employment Retirement Benefits

The City currently does not offer other post-employment retirement benefits.

Investment Policies and Procedures

The City invests its funds in accordance with the City's Investment and Portfolio Policy (the "**Investment Policy**"), which is subject to annual review and approval by the City Council. The purpose of the Investment Policy is to establish the investment goals of safety, liquidity, and yield (in that order). The City's Investment Policy complies with the provisions of the California government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State). The Investment Policy limits the City to investments authorized by State law. In addition, the Investment Policy establishes further guidelines.

It is the policy of the City, a general law city, to invest public funds in a manner that will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City. The Investment Policy establishes three objectives for City investments, in the following order of priority:

(1) Safety of principal: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

(2) Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

(3) Return of Investment: The City's investment portfolio shall be designed with the object of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

The City Council reviews monthly investment reports. According to the report for the quarter ending June 30, 2016, the City has invested funds as set forth in the table below.

Table 11
City of Oakley
Investment Portfolio as of June 30, 2016

Name of Institution	Rate	Maturity*	Cost Amount	Market Value**
Investments in Wells Fargo Bank Account:				
Overnight Sweep Investments	0.007%	4/1/2016	\$2,844,682.56	\$2,844,682.56
Investments with Wells Fargo Investment Advisors:				
Institutional Money Market	0.148	N/A	1,775,634.02	1,775,634.02
Investments with State of California:				
Local Agency Investment Fund (LAIF) - City	0.550	N/A	19,826,085.26	19,838,401.66
Investments with CalTRUST:				
Short-Term Investment Account-City	0.718	N/A	9,055,334.29	9,092,704.32
Total Investments Other Than Bond Proceeds			33,501,736.13	33,551,422.56
Investments with Wells Fargo Trust (bond proceeds):***				
2012 Refunding Revenue Bonds				
<i>Government Money Market</i>				
Wells Fargo Advantage Gov MM Svc	0.010%	N/A	127,506.53	127,506.53
<i>Certificates of Deposit</i>				
Discover Bank		5/16/12 - 5/16/17	250,000.00	252,527.50
GE Capital Retail Bank	1.750	5/18/12 - 5/18/17	250,000.00	252,317.50
Goldman Sachs Bank USA	1.800	5/16/12 - 5/16/17	250,000.00	252,417.50
2014 Refunding Revenue Bonds				
<i>Government Money Market</i>				
Wells Fargo Advantage Gov MM Svc	0.010	N/A	326,148.62	326,148.62
2006 Certificates of Participation				
<i>Government Money Market</i>				
Wells Fargo Advantage Gov MM Svc	0.010	N/A	574,764.48	574,764.48
Total Investments of Bond Proceeds			1,778,419.63	1,785,682.13
Total All City Investments			\$35,280,155.76	\$35,337,104.69

* With the exception of certificates of deposit, all accounts have same day or next day liquidity.

** Market valuation for LAIF was obtained at <http://www.treasurer.ca.gov/pmia-laif/mktvalue/2016/201606.pdf>. Market value for all other investments was obtained from FT Interactive Data. As the city holds its investments to maturity, market value fluctuations are not significant.

*** Investment of bond proceeds is governed by each bond's Trust Agreement. All of the amounts with Wells Fargo Trust are debt service reserve funds. Investment income remains with the individual bond accounts.

Source: City of Oakley.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The ability of the City to raise fees, taxes and other revenues is limited. Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City. For a description of other factors relating to the revenues of the City, see "CITY FINANCIAL INFORMATION" above.

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the Voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment could serve to reduce the property-tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residences and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "newly constructed" the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also 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, provided 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.

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State

to the appropriations limit for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is the 1978-79 fiscal year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a fiscal year the "proceeds of taxes" levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIII B was amended in 1990 to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City's long term General Fund lease obligations are generally excluded from the City's appropriations limit.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City 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.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax the City 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 that must be held before November 6, 1998. The voter-approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

The City currently imposes the following general taxes: business-operations tax and transient-occupancy tax. Since all of these taxes were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the

requirements of Article XIII C. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIII C.

Article XIII D 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 that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a "special benefit," as defined in Article XIII D, 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 parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

The City does not believe that any material source of its General Fund revenue is subject to challenge under Proposition 218 or Proposition 26. **[City to confirm] This is true**

Article XIII C 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 the City 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 the City's General Fund. If such repeal or reduction occurs, the City's operations could be adversely affected.

Proposition 62

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds

vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (2) requiring 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 within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIII A; (5) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, 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. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

The *Guardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5, of the California Constitution relating to municipal affairs.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to all cities and supersedes many of the provisions of Proposition 62.

Proposition 1A

Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle-license fee revenues as of November 3, 2004, and by providing that the State may not reduce any local sales-tax rate, limit existing local government authority to levy a sales-tax rate or change the allocation of local sales-tax revenues, subject to certain exceptions. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which

amount must be repaid, with interest, within three years. This shift of local government property tax can be accomplished if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met.

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

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, are allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide 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 benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the 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.

Future Initiatives

Article XIII A, Article XIII B and Propositions 62, 218, and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting City's revenues or their ability to expend revenues.

RISK FACTORS

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

Special Obligations of the Authority

The Bonds are special obligations of the Authority and are payable solely from, and secured by, a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of Lease Payments payable by the City under the Lease. If, for any reason, the Revenues collected under the Indenture are not sufficient to pay debt service on the Bonds, the Authority will not be obligated to utilize any other of its funds, other than moneys on deposit in the Bond Fund and certain other funds and accounts established under the Indenture, to pay debt service on the Bonds. The Authority has no taxing power.

No Pledge of Taxes

General. The obligation of the City to pay the Lease Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation, but are payable from yearly appropriations of any funds lawfully available to the City. The obligation of the City to pay Lease Payments does not constitute a debt or indebtedness of the Authority, the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIIC and Article XIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIIC and Article XIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIC and Article XIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIC and Article XIID of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from its General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIC and Article XIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

The City has existing obligations payable from its General Fund. See "CITY FINANCIAL INFORMATION." The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Default

Whenever any event of default referred to in the Lease happens and continues, the Authority is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to redeem the Bonds or pay debt service on the Bonds. However, under the Indenture, the Trustee is empowered to declare the principal of all of the Bonds then-outstanding, and the interest accrued thereon, to be due and payable immediately.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Leased Property, the City's obligation to make Lease Payments will be subject to full or partial abatement, and this could result in the Trustee having inadequate funds to pay the principal and interest on the Bonds as and when due. See "SECURITY FOR THE BONDS – Abatement" and "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Assessed Value of Taxable Property; Delinquent Payment of Property Taxes

Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, toxic dumping, coastal erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay Lease Payments under the Lease when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation in the following fiscal years: 1983-84 (1.010%); 1995-96 (1.194%); 1996-97 (1.115%); 1999-00 (1.853%); 2004-05 (1.867%); 2010-11 (0.998%); 2011-12 (1.008%); and 2012-13 (1.02%). More information about inflationary assessed value adjustments can be accessed through the California State Board of Equalization's, "under the Final CCPI Announcement posted on the "Letters to Assessors" webpage for each year, at <http://www.boe.ca.gov/proptaxes/ltacont.htm>. *The reference to this internet website is shown for reference and convenience only. The City and the Authority do not take any responsibility for the continued accuracy of the foregoing internet address or for the accuracy, completeness or timeliness of information on such website, and such information is not incorporated herein by this reference.*

The City and the Authority are unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values; Delinquencies. Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for taxes.

No assurance can be given that property tax appeals in the future will not significantly reduce the City's property tax revenues. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

The County Assessor may also unilaterally reduce assessed values under Proposition 8.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The completion date of new construction or the date of change of ownership determines the base year. Any base year appeal must be made within four years of the change of ownership or new construction date.

Decreases in the aggregate value of taxable property within the City resulting from natural disaster, reclassification by ownership or use, or as a result of the operation Proposition 8 all may have an adverse impact on the General Fund revenues available to pay Lease Payments under the Lease.

In addition, failure by large property owners to pay property taxes when due may also cause a decrease in General Fund revenues available to pay Lease Payments under the Lease when due.

Natural Calamities

General. From time to time, the City is subject to natural calamities, including, but not limited to, earthquake, flood, wildfire, tsunami, or pipeline incident, that may adversely affect economic activity in the City, and which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to and costs for the City.

Seismic. There are several identified faults within close proximity to or within the boundaries of the City that could potentially result in damage to buildings, roads, bridges and other property within the City in an even of an earthquake. The Health and Safety Element of the City's General Plan states that the Brentwood Fault lies under the City and that it is inferred active on the basis of scattered small magnitude earthquakes near the trace of the fault. Other inferred active faults – the Davis and Antioch Faults – lie west of the City. More information about seismic hazards in the City can be found in the Health and Safety Element of the City's General Plan.

If an earthquake were to substantially damage or destroy taxable property within the City, the assessed valuation of such property would be reduced. Such reduction of assessed valuations could have a negative impact on the finances of the City, which in turn could impair the ability of the City to make Lease Payments on a timely payments and thereby affect the Authority's ability to make timely payments of debt service on the Bonds.

In addition, the City is not obligated under the Lease and the City does not intend to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Property. If any portion of the Leased Property is destroyed by an earthquake, the Lease Payments may be abated and result in a reduction of amounts available to pay debt service on the Bonds. **[City to confirm] Confirmed**

Flood. Substantial areas within the City are subject to flooding, especially areas along the coast and northeast of the Contra Costa canal. According to the Federal Emergency Management Agency, Marsh Creek, the majority of the City's shoreline area, and the entire Cypress Lakes SOI Area are within the 100-year floodplain. The most series flood hazards existing in the City area related to the system of levees that protect the islands and adjacent mainland. Levee failure often occurs in areas where levees rest on soft mud, silt, or peat. Flooding problems have been exacerbated by boat movement on the waterways, which creates waves that accelerate the natural process of levee erosion.

If a flood were to substantially damage or destroy taxable property within the City, the assessed valuation of such property would be reduced. Such reduction of assessed valuations could have a negative impact on the finances of the City, which in turn could impair the ability of the City to make Lease Payments on a timely payments and thereby affect the Authority's ability to make timely payments of debt service on the Bonds.

Hazardous Substances

Discovery of hazardous substances on parcels within the City could impact the City's ability to pay Lease Payments under the Lease when due.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has any thing to do with creating or handling the hazardous substance.

The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Reduction in the value of property in the City as a whole could reduce property tax revenues received by the City and deposited in the General Fund, which could significantly and adversely affect the ability of the City to pay Lease Payments under the Lease when due and thereby affect the Authority's ability to make timely payments of debt service on the Bonds.

Proposition 218

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIC and Article XIID of the State Constitution," for information about certain risks to the City's General Fund revenues under Articles XIIC and Article XIID of the California Constitution.

State Budget

In recent years, the State has faced significant financial stress. There can be no assurances that the State will not take budgetary or other actions that materially adversely affect the financial condition of the City. See "CITY FINANCIAL INFORMATION – State Budget."

Limitations on Remedies Available to Bond Owners; Bankruptcy

The ability of the City to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Lease and the Indenture, the rights and obligations under the Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. The opinion of Bond Counsel notes that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

Litigation

The City may be or become a party to litigation that has an impact on the City's General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents, the City cannot predict what types of liabilities may arise in the future and whether these may adversely affect the ability of the City to pay Lease Payments under the Lease when due. See also "LITIGATION."

State Law Limitations on Appropriations

Article XIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to pay Lease Payments and other payments due under the Leases may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIB of the State Constitution" above.

Property Tax Allocation by the State; Changes in Law

The responsibility for allocating general property taxes was assigned to the State by Proposition 13, which stated that property taxes were to be allocated "according to law." The formula for such allocation was contained in Assembly Bill 8 ("AB 8"), adopted in 1978, which allocates property taxes among cities, counties, and school districts. The formulas contained in AB 8 were designed to allocate property taxes in proportion to the share of property taxes received by a local entity prior to Proposition 13. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS, Article XIII A of the State Constitution."

Beginning in its fiscal year 1992-93, in response to its own budgetary shortfalls, the State began to permanently redirected billions of dollars of property taxes Statewide from cities, counties, and certain special districts to schools and community college districts. These redirected funds reduced the State's funding obligation for K-14 school districts by a commensurate amount. In response, Proposition 1A of 2004, approved by State voters in November 2004 and generally effective in fiscal year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain limitations. However, pursuant to Proposition 1A and beginning in fiscal year 2008-09, the State could, upon gubernatorial proclamation of fiscal hardship and following approval of two-thirds of both houses of the legislature, and it did, shift to schools and community colleges up to 8% of local government ad valorem property tax revenues, which amount must be repaid, with interest, within three years. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In November 2010, State voters approved Proposition 22, which amends the State's constitution to eliminate the State's authority to temporarily shift

additional ad valorem property taxes from cities, counties and special districts to schools, among other things. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS, Proposition 22." The State last passed a redirection or property tax shift applicable to fiscal years 2004-05 and 2005-06.

No assurance can be given that the State, the County's or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the City's property tax allocations or its other revenues and therefore a reduction of the funds legally available to the City to pay Lease Payments and other payments due under the Leases. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIC and Article XIID of the State Constitution."

Early Redemption Risk

Early payment of the Lease Payments and early redemption of the Bonds may occur in whole or in part, without premium, from the proceeds of title insurance, on any date, if the Leased Property, or a portion thereof, is lost, destroyed or damaged beyond repair or taken by eminent domain and if the City exercises its right to prepay the Lease Payments in whole or in part pursuant to the provisions of the Lease and the Indenture. See "THE BONDS – Redemption – Special Mandatory Redemption from Insurance or Condemnation Proceeds."

Loss of Tax-Exemption

The City has covenanted in the Lease, and the Authority has covenanted in the Indenture, that each will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"). In the event either the City or the Authority fails to comply with the foregoing tax covenant, interest on the Bonds may be includable in the gross income of the Owners thereof for federal tax purposes retroactive to the risk of issuance. See "TAX MATTERS".

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Tax Code), or changes in interpretation of the Tax Code, or any action of the Internal Revenue Service (the "IRS"), including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any IRS audit or examination of the Bonds or obligations that present similar tax issues as the Bonds. In addition, a number of local governments in the State have recently instituted bankruptcy or pre-bankruptcy proceedings. No assurance can be given that the market price for the Bonds will not be affected by the outcomes of these bankruptcy proceedings or the institution of bankruptcy or pre-bankruptcy proceedings for additional local governments in the State.

IRS Audit of Tax-Exempt Issues

The 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).

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of 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 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 such difference constitutes "original issue premium" for purposes of federal income taxes and State personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State personal income tax and federal income tax consequences of owning such Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

CERTAIN LEGAL MATTERS

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and for the Underwriter by Stradling, Yocca, Carlson & Rauth, P.C., Irvine, California. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Underwriter's Counsel is contingent upon the sale and delivery of the Bonds.*

LITIGATION

The City is not aware of any pending or threatened litigation concerning the validity of the Bonds or challenging any action taken by the City with respect to the Bonds, the Indenture, the Lease, the Leased Property or any other agreements or actions undertaken in connection with the issuance of the Bonds. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Indenture or the Lease or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing. **[City to confirm] Confirmed**

There are a number of lawsuits and claims pending and threatened against the City unrelated to the Bonds or actions taken with respect to the Bonds. It is the opinion of the City as of this date that such litigation, claims and threatened litigation will not materially affect the City's finances or impair its ability to make the Lease Payments under the Lease or the debt service payments on the Bonds. **[City to confirm] Confirmed**

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned its municipal bond rating of "___" to the Bonds. This rating reflects only the view of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from the S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City and the Authority have provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by the date that is nine months after the end of the City's Fiscal Year (currently March 31 based on the City's Fiscal Year end of June 30), commencing with the report for the fiscal year ended June 30, 2016 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system ("EMMA"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "Rule").

The City and its related governmental entities have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the City and its related entities [complied/][failed to comply] in all material respects with their respective undertakings [as follows: describe non-compliance].

[Underwriter to provide]

[The City and its related governmental have made all remedial filings they believe are required under the Rule to correct such historical non-compliance.]

The City has retained NBS Government Finance Group, doing business as NBS ("NBS") to provide continuing disclosure services to the City to ensure compliance with its continuing disclosure undertakings in the future. To further ensure such compliance, the City has appointed its Finance Director to coordinate the preparation and filing of annual disclosure reports by NBS and has adopted policies and procedures related thereto.

MUNICIPAL ADVISOR

The Municipal Advisor has assisted the City with various matters relating to the planning, structuring and delivery of the Bonds. The Municipal Advisor is a municipal advisory firm and is

not engaged in the business of underwriting or distributing municipal securities or other public securities. The Municipal Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Municipal Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

UNDERWRITING

The Underwriter has entered into a bond purchase agreement with the Authority under which it will purchase the Bonds at a price of \$_____ (equal to the par amount of the Bonds, plus [net] original issue premium of \$_____, and less an Underwriter's discount of \$_____).

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

EXECUTION

The execution and delivery of this Official Statement have been authorized by the Board of Directors of the Authority and the City Council of the City.

OAKLEY PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

CITY OF OAKLEY

By: _____
City Manager

APPENDIX A

CITY OF OAKLEY AND COUNTY OF CONTRA COSTA GENERAL INFORMATION

The following information in this section of the Official Statement concerning City of Oakley (the "City"), the County of Contra Costa (the "County") and surrounding areas is included only for the purpose of supplying general information regarding the community. The taxing power of the City, the County, the State of California (the "State"), and any political subdivision thereof is not pledged to the payment of the Bonds. The Bonds are not a debt of the City, the County, the State, or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City. The City is situated in the eastern portion of the County, along the shore of the Sacramento-San Joaquin Delta, near the cities of Pittsburg, Antioch, and Brentwood. Close to the junction of Highways 4 and 160, with access to San Francisco, the Silicon Valley, and the state capital at Sacramento, the City is equidistant from both San Francisco and Sacramento at 55 miles.

The County. Situated northeast of San Francisco, the County is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Population

The following table lists population figures for the City, the County and the State for the last five calendar years.

CITY OF OAKLEY, CONTRA COSTA COUNTY AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2012 Through 2016

Year	City of Oakley	Contra Costa County	State of California
2012	36,850	1,069,977	37,881,357
2013	37,926	1,083,340	38,239,207
2014	38,864	1,097,172	38,567,459
2015	39,609	1,111,143	38,907,642
2016	40,141	1,123,429	39,255,883

Source: California Department of Finance for January 1.

Employment and Industry

The unemployment rate in the Oakland-Hayward-Berkeley MD was 4.9% in July 2016, up from a revised 4.8% in June 2016, and below the year-ago estimate of 5.2%. This compares with an unadjusted unemployment rate of 5.9% for the State and 5.1% for the nation during the same period. The unemployment rate was 4.8% in Alameda County, and 5.0% in the County.

The table below lists employment by industry group for the County for calendar years 2011 through 2015.

CONTRA COSTA COUNTY Annual Averages Civilian Labor Force, Employment and Unemployment, Employment by Industry (March 2015 Benchmark)

	2011	2012	2013	2014	2015
Civilian Labor Force ⁽¹⁾	1,316,300	1,336,300	1,344,100	1,355,600	1,374,800
Employment	1,182,400	1,218,700	1,245,500	1,275,000	1,308,100
Unemployment	133,900	117,500	98,600	80,600	66,700
Unemployment Rate	10.2%	8.8%	7.3%	5.9%	4.8%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,500	1,500	1,400	1,300	1,200
Mining, Logging and Construction	48,600	52,900	57,300	59,400	63,300
Manufacturing	79,700	79,900	80,100	82,800	86,600
Wholesale Trade	42,200	43,700	45,200	46,200	47,600
Retail Trade	101,200	104,100	107,700	109,900	113,000
Transportation, Warehousing and Utilities	32,200	32,900	33,500	35,600	38,300
Information	22,600	22,100	21,500	21,300	22,400
Finance and Insurance	32,900	33,400	33,500	32,600	32,800
Real Estate and Rental and Leasing	14,900	15,400	16,200	16,800	16,800
Professional and Business Services	157,500	166,500	173,400	178,800	183,000
Educational and Health Services	158,900	164,700	170,500	173,100	178,400
Leisure and Hospitality	88,200	91,800	97,200	102,100	106,300
Other Services	35,700	36,400	37,000	37,500	38,000
Federal Government	14,600	14,200	13,800	13,800	13,800
State Government	38,300	38,500	38,900	39,300	39,800
Local Government	111,000	110,100	110,600	113,400	115,200
Total, All Industries ⁽³⁾	980,100	1,008,000	1,037,500	1,063,600	1,096,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: Labor Division of the California State Employment Development Department.

Principal Employers

The following table shows the principal employers in the City, as shown in the City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2015.

CITY OF OAKLEY Principal Employers

Employer	Number of Employees	Percent of Total Employment
Oakley Union Elementary School	438	20.5%
Diamond Hills Sports Club and Spa	55	2.6
Lucky's	54	2.5
Raley's	51	2.4
Continente Nut LLC	42	2.0
Foundation Constructors	32	1.5
Ironhouse Sanitary	32	1.5
Delta Black Bear Diner	31	1.5
McDonalds	31	1.5
Rain for Rent	28	1.3
Oakley Ace Hardware	26	1.2
Roundtable Pizza	25	1.2
BMS Investments, LLC DBA Comfort Suites	25	1.2
Jack in the Box 578	25	1.2

Source: City Of Oakley, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

Major Employers

The table below lists the major employers in the County, listed alphabetically.

CONTRA COSTA COUNTY Major Employers September 2016

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
AAA Northern CA Nevada & Utah	Walnut Creek	Automobile Clubs
BART	Richmond	Transit Lines
Bayer Health Care Phrmctcls	Richmond	Laboratories-Pharmaceutical (mfrs)
Bio-Rad Laboratories Inc.	Hercules	Physicians & Surgeons Equip & Supls-Mfrs
Chevron Corp	Richmond	Service Stations-Gasoline & Oil
Chevron Corp	San Ramon	Oil Refiners (mfrs)
Chevron Global Downstream LLC	San Ramon	Petroleum Products (whls)
Chevron Technology Ventures	San Ramon	Technology Assistance Programs
Chevron-Corp	Not Available	Real Estate
Contra-Costa Regional Med Ctr	Martinez	Hospitals
Department of Veterans Affairs	Martinez	Clinics
Inspira Financial Co	Walnut Creek	Financial Advisory Services
Job Connections	Danville	Personnel Consultants
John Muir Medical Center	Concord	Hospitals
John Muir Medical Center	Walnut Creek	Hospitals
Kaiser Permanente Antioch Med	Antioch	Physicians & Surgeons
Kaiser Permanente Martinez Med	Martinez	Clinics
Kaiser Permanente Walnut Creek	Walnut Creek	Physicians & Surgeons
La Raza Market	Richmond	Grocers-Retail
Liberty Tax Svc	Antioch	Tax Return Preparation & Filing
San Ramon Regional Medical Center	San Ramon	Hospitals
Shell Oil Products	Martinez	Oil & Gas Producers
St Marys College	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Center	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners (mfrs)
US Veterans Medical Center	Martinez	Outpatient Services
USS-POSCO Industries	Pittsburg	Steel Mills (mfrs)

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2016 2nd Edition.

Commercial Activity

A summary of the historic taxable sales within the County during the past five years in which data is available are shown in the following tables. Annual figures for calendar year 2015 are not yet available.

CONTRA COSTA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2010	14,423	\$8,716,393	21,784	\$11,953,846
2011	13,930	9,300,418	21,153	12,799,857
2012	14,343	10,062,437	21,504	13,997,249
2013	14,511	10,677,018	21,449	14,471,988
2014	14,657	11,092,210	21,550	15,030,047

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF OAKLEY Building Permit Valuation (Valuation in Thousands of Dollars)

	2011	2012	2013	2014	2015
<u>Permit Valuation</u>					
New Single-family	\$20,530.4	\$36,596.1	\$58,063.0	\$24,451.8	\$78,354.6
New Multi-family	0.0	1,630.4	3,939.9	0.0	0.0
Res. Alterations/Additions	<u>8,627.0</u>	<u>742.0</u>	<u>902.4</u>	<u>822.1</u>	<u>1,894.8</u>
Total Residential	29,157.4	38,968.5	62,905.3	25,273.9	80,249.4
New Commercial	20.0	4,174.1	1,518.0	1,642.4	858.6
New Industrial	0.0	15.0	40.0	0.0	0.0
New Other	0.0	0.0	1,411.3	943.6	2,092.0
Com. Alterations/Additions	<u>727.0</u>	<u>93.9</u>	<u>1,800.0</u>	<u>949.4</u>	<u>1,489.2</u>
Total Nonresidential	747.0	4,283.0	4,769.3	3,535.4	4,439.8
<u>New Dwelling Units</u>					
Single Family	77	146	206	77	234
Multiple Family	<u>0</u>	<u>44</u>	<u>30</u>	<u>0</u>	<u>0</u>
TOTAL	77	190	236	77	234

Source: Construction Industry Research Board, Building Permit Summary.

CONTRA COSTA COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	2011	2012	2013	2014	2015
<u>Permit Valuation</u>					
New Single-family	\$211,417.9	\$340,255.7	\$469,376.5	\$402,109.1	\$629,638.5
New Multi-family	47,304.2	54,884.8	62,799.7	82,008.6	123,088.7
Res. Alterations/Additions	<u>233,174.2</u>	<u>179,471.7</u>	<u>195,787.4</u>	<u>256,617.8</u>	<u>301,221.7</u>
Total Residential	491,896.3	574,612.2	727,963.6	740,735.5	1,053,948.9
New Commercial	17,587.4	97,077.8	85,341.7	94,171.8	122,256.4
New Industrial	7,188.0	7,000.8	8,927.8	21,149.5	15,020.1
New Other	15,542.3	13,999.9	89,877.6	103,359.8	170,219.6
Com. Alterations/Additions	<u>214,585.0</u>	<u>124,147.2</u>	<u>220,737.0</u>	<u>191,855.7</u>	<u>219,320.4</u>
Total Nonresidential	254,902.7	242,225.7	404,884.1	410,536.8	526,816.5
<u>New Dwelling Units</u>					
Single Family	718	1,188	1,585	1,439	1,909
Multiple Family	<u>355</u>	<u>949</u>	<u>370</u>	<u>588</u>	<u>613</u>
TOTAL	1,073	2,137	1,955	2,027	2,522

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for calendar years 2011 through 2015.

CITY OF OAKLEY, CONTRA COSTA COUNTY, AND THE STATE OF CALIFORNIA Effective Buying Income As of January 1, 2011 through 2015

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2011	City of Oakley	\$711,553	\$60,988
	Contra Costa County	30,416,350	60,777
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Oakley	\$806,038	\$59,153
	Contra Costa County	33,604,875	61,167
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Oakley	\$787,223	\$60,369
	Contra Costa County	32,061,585	61,731
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Oakley	\$849,333	\$61,927
	Contra Costa County	33,833,478	64,090
	California	901,189,699	50,072
	United States	7,357,153,451	45,448
2015	City of Oakley	\$927,073	\$67,242
	Contra Costa County	37,417,068	68,074
	California	981,231,666	53,589
	United States	7,757,960,399	46,738

Source: The Nielsen Company (US), Inc.

Education

The City is part of the Oakley Union School District, Antioch Unified School District and Liberty Union High School District. Liberty Union High School District oversees the operations of Freedom High School, La Paloma High School, Heritage High School, Independence High School and the Liberty Alternative Education Center.

Near the City are four colleges: Los Medanos Community College in Pittsburg, Diablo Valley Community College in Concord and San Joaquin Delta Community College and University of the Pacific in Stockton.

Transportation

The City is in close proximity to a developed transportation network. State Highway 4 runs in an east/west direction through the City, intersecting Interstate 680 near Martinez and Interstate 80 in Hercules. To the east, Highway 4 leads to Stockton where it intersects with Interstate 5. The highways provide the City with access to major regional workplace and recreation areas. The City is close to both regional and international airports — Concord Airport, Stockton Airport and Oakland International Airport.

The City is also served by bus lines and railroads. In addition, the City believes that the Bay Area Rapid Transit ("**BART**") is currently working on eBART an expansion of BART to the East Bay. The eBART rail system will run from Pittsburg/Bay Point BART station through Pittsburg, Antioch, Oakley, Brentwood, and Bryon. There are also currently conversations between the City of Antioch and the Water Transit Authority to explore the feasibility of providing ferry passenger service from the Antioch waterfront to San Francisco.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**OAKLEY PUBLIC FINANCING AUTHORITY
2016 LEASE REVENUE BONDS**

This CONTINUING DISCLOSURE CERTIFICATE (this "**Disclosure Certificate**") is executed and delivered by the City of Oakley (the "**City**"), on behalf of itself and the Oakley Public Financing Authority (the "**Authority**"), in connection with the issuance of the bonds captioned above (the "**Bonds**"). The Bonds are being executed and delivered pursuant to an Indenture of Trust dated as of November 1, 2016 (the "**Indenture**") by and between the Authority and U.S. Bank National Association, as trustee for the Bonds.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

"*Dissemination Agent*" shall mean, initially, NBS Government Finance Group, doing business as NBS, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

"*Significant Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2017 with the Annual Report for the fiscal year ended June 30, 2016, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City

for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) summary of investments held in the City's investment portfolio for the most recently-completed fiscal year, including market value, book value and a description of any investments that do not comply with the City's investment policies;
- (ii) general fund budget for the fiscal year during which the annual report is filed;
- (iii) general fund balance sheet for the most recently-completed fiscal year;
- (iv) general fund summary of revenues and expenditures for the most recently-completed fiscal year;
- (v) general fund tax revenues by source for the most recently-completed fiscal year;
- (vi) assessed valuation of property in the City for the most recently-completed fiscal year and, provided the City is not currently on the Teeter Plan (or its equivalent) and such information is available from the County, information about property tax levies and collections for the most recently completed fiscal year;
- (vii) taxable transactions in the City for the most recently-completed fiscal year; and
- (viii) description of the City's outstanding general fund debt and lease obligations as of the end of the most recently-completed fiscal year, including long-term general fund obligations.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;

- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Significant Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), and (a)(xiv) of this Section 5 contain the qualifier "if material." The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event's occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Significant Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City. Initially, _____ will act as dissemination hereunder.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

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

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

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

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

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and

shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2016

CITY OF OAKLEY

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED:
NBS GOVERNMENT FINANCE GROUP,
d/b/a NBS,
AS DISSEMINATION AGENT

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Oakley Public Financing Authority

Name of Issue: \$_____ Oakley Public Financing Authority 2016 Lease Revenue Bonds

Date of Issuance: _____, 2016

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2016. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City, the Authority and the Underwriter takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC"), New York, New York, acts as securities depository for the Bonds. The Bonds were issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate was issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

While the Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Authority believe to be reliable, but neither the City, the Authority nor the Underwriter takes any responsibility for the accuracy thereof.

AFTER RECORDATION RETURN TO:

Jones Hall
A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Stephen G. Melikian, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

TERMINATION AGREEMENT

This TERMINATION AGREEMENT (this "Agreement") is dated as of November 1, 2016, and is by and among the CITY OF OAKLEY, a municipal corporation duly organized and existing under the laws of the State of California (the "City"), the OAKLEY PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and [WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee for the 2006 Certificates described herein (the "2006 Trustee").

WITNESSETH:

WHEREAS, the Authority and the City have heretofore caused the execution and delivery of 2006 Certificates of Participation (Join Project Area Financing) (the "2006 Certificates") evidencing the direct, undivided fractional interest of the owner thereof in lease payments to be made by the City as the rental for certain property described in Exhibit A hereto pursuant to a Lease Agreement dated as of December 1, 2006 (the "2006 Lease Agreement") with the Authority; and

WHEREAS, in connection with the execution and delivery of the 2006 Certificates, the City and the Authority entered into the following documents:

- (i) Site Lease dated as of December 1, 2006, between the City, as lessor, and the Authority, as lessee, recorded on December __, 2006 in the Official Records of Contra Costa County as document number _____ (the "2006 Site Lease");

- (ii) 2006 Lease Agreement, which was recorded on December __, 2006 in the Official Records of Contra Costa County as document number _____;
- (iii) Assignment Agreement dated as of December 1, 2006, between the Authority and the 2006 Trustee, recorded on December __, 2006 in the Official Records of Contra Costa County as document number _____ (the "2006 Assignment Agreement");

WHEREAS, pursuant to Section 9.1 of the 2006 Lease Agreement, the City has deposited with the 2006 Trustee funds which are sufficient to provide for the prepayment of the lease payments due under the 2006 Lease Agreement, and the corresponding [discharge and defeasance/prepayment] of the 2006 Certificates, on December __, 2016, which has the effect of terminating the 2006 Lease Agreement of record against the properties which are leased thereunder; and

NOW, THEREFORE, in consideration of the foregoing and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree:

Section 1. Termination.

(a) By virtue of the deposit with the 2006 Trustee of funds sufficient to pay and prepay in full the 2006 Lease Payments, (i) all obligations of the City under the 2006 Lease Agreement has ceased and terminated, excepting only the obligation of the City to make, or cause to be made, all payments from the deposit made by the City pursuant to Section 9.1 of the 2006 Lease Agreement, (ii) the term of the 2006 Lease Agreement and the 2006 Site Lease have terminated, and (iii) title to the property that is subject to the 2006 Lease Agreement shall vest in the City on the date of said deposit automatically and without further action by the City or the Authority.

(b) In accordance with the foregoing, the 2006 Lease Agreement, the 2006 Site Lease, the 2006 Memorandum of Lease and the 2006 Assignment are each hereby terminated and are of no further force or effect.

(c) From and after the date of recordation hereof, which date shall be no earlier than ~~November~~ December __, 2016, none of the parties shall have any further rights or obligations under the 2006 Lease Agreement, the 2006 Site Lease, the 2006 Memorandum of Lease or the 2006 Assignment.

Section 2. Execution in Counterparts. This Termination Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Termination Agreement.

CITY OF OAKLEY,

By _____
City Manager

Attest:

City Clerk

**OAKLEY PUBLIC FINANCING
AUTHORITY,**

By _____
Executive Director

Attest:

Secretary

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as 2006 Trustee**

By _____
Authorized Officer

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of Oakley, County of Contra Costa and described as follows:

AGREEMENT FOR LEGAL SERVICES**BY AND BETWEEN THE CITY OF OAKLEY
AND JONES HALL, A PROFESSIONAL
LAW CORPORATION, FOR BOND COUNSEL AND
DISCLOSURE COUNSEL SERVICES IN CONNECTION WITH
LEASE REVENUE BONDS**

This AGREEMENT FOR LEGAL SERVICES dated as of October __, 2016, is between the CITY OF OAKLEY (the "City"), and JONES HALL, A PROFESSIONAL LAW CORPORATION, San Francisco, California ("Attorneys");

WITNESSETH:

WHEREAS, the Oakley Public Financing Authority, on behalf of the City of Oakley (the "City") is proceeding to authorize the issuance of long-term bonds (the "Bonds") for the purpose of refinancing certain outstanding lease obligations of the City; and

WHEREAS, in connection with the drafting of the documents and resolutions required to accomplish the authorization and issuance of the Bonds, the City requires the advice and assistance of bond counsel and disclosure counsel; and

WHEREAS, Attorneys are qualified by training and experience to perform the services of bond counsel and disclosure counsel and are willing to provide such services under the terms set forth herein;

NOW, THEREFORE, THE PARTIES HERETO MUTUALLY AGREE AS FOLLOWS:

SECTION 1. *Identification of Client.* Attorneys shall represent the City as Bond Counsel and Disclosure Counsel in connection with the proceedings for the authorization, issuance and sale of the Certificates. Attorneys will not represent, and will owe no duties to, any other party, including but not limited to financial advisor, trustee, bond insurer and underwriter of the Bonds.

Attorneys assume that all other parties involved in the financing will retain such counsel, as they deem necessary and appropriate to represent their interests in this transaction. Attorneys further assume that all other parties understand that in this transaction Attorneys represent only the City, Attorneys are not counsel to any other party, and Attorneys are not acting as an intermediary among the parties. Attorneys' services as bond counsel and disclosure counsel are limited to those contracted for in this Agreement; the City's execution of this Agreement will constitute an acknowledgment of those limitations. Attorneys' representation of the City will not affect, however, our responsibility to render an objective final legal opinion.

SECTION 2. *Duties of Attorneys as Bond Counsel.* Attorneys shall do, carry out and perform all of the following Bond Counsel services as are necessary for the issuance and sale of each series of the Bonds:

- Consultation and cooperation with attorneys, financing consultants and other consultants, underwriters, staff and employees of the City, and assisting such consultants, underwriters, staff and employees in the formulation of a coordinated financial and legal Bond issuance by the City.
- Preparation of all legal proceedings for the authorization, issuance and delivery of Bonds by the City; including preparation of resolutions authorizing the issuance of such Bonds, fixing the date, denominations, numbers, maturity and interest rates, providing the form of the Bonds and authorizing their execution, authentication and registration; certifying the terms and conditions upon which the same are to be issued; providing for the setting up of special funds for the disposition of proceeds of the sale of the Bonds and providing all other details in connection therewith, including special covenants and clauses for the protection of the interests of the Bondholders; preparation of the resolution selling all or any part of the authorized Bond issue; preparation of all documents required for Bond delivery and supervising such delivery; preparation of all other proceedings incidental to or in connection with the issuance, sale and delivery of the Bonds.
- Upon completion of proceedings to the satisfaction of Attorneys, providing a legal opinion, as traditionally issued by Bond Counsel and satisfactory in form and content to the City Attorney and other parties to the transaction, approving in all regards the legality of all proceedings for the authorization, issuance and delivery of Bonds, which opinion shall be addressed to the City and any other party so requiring and shall inure to the benefit of the purchasers of the Bonds.
- Any and all legal consultation requested by the City concerning the Bonds at any time after delivery of the Bonds.
- Such other and further services as are normally performed by Bond Counsel in connection with the issuance of bonds or obligations of a similar character to the Bonds.

SECTION 3. *Duties of Attorneys as Disclosure Counsel.* In addition to their duties as Bond Counsel to the City, Attorneys shall do, carry out and perform all of the following services as Disclosure Counsel to the City in connection with the issuance of the Bonds:

- Participating in the preparation of the Official Statement by consulting with representatives of the City, the underwriter and others, gathering information for disclosure in the Official Statement, and having primary responsibility for drafting the Official Statement.
- Drafting a purchase agreement between the City and the underwriter of the Bonds, under which the underwriter commits to purchase the Bonds from the City and specifying the final maturities of the Bonds,

interest rate and redemption provisions, and conditions for the closing of the Bond issue.

- Supervising the Bond closing to ensure that all closing conditions as set forth in said purchase agreement have been satisfied.
- Rendering an opinion to the City and the underwriter of the Bonds stating that based upon Attorney's participation in the preparation of the Official Statement, nothing has come to their attention to lead them to believe that the Official Statement (except for any financial statements and the financial and statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion included therein, and The Depository Trust Company and its book-entry system and information in the Appendices, as to which Attorneys are not required to express a view) as of the date of the Official Statement or the date of closing of the Bonds contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- Such additional legal services as are customarily rendered by disclosure counsel on comparable financing transactions.

SECTION 4. *Compensation.*

(a) Bond Counsel Services. For the services of Attorneys listed in Section 2 in connection with Bond Counsel services rendered for the issuance of the Bonds, the City will pay Attorneys a flat fee of \$37,500.

(b) Disclosure Counsel Services. For the services of Attorneys listed in Section 2 as Disclosure Counsel in connection with the issuance of each series of Bonds, the City will pay Attorneys a flat fee equal to \$25,000.

(c) Expense Recovery. In addition to the foregoing fees, Attorneys will be reimbursed in an amount not to exceed \$3,000 for direct out-of-pocket expenses for travel outside the State of California (with the prior approval of the City), messenger and delivery services, court filing fees, costs of legal publication, photocopying and preparation of official transcripts of the proceedings.

(d) Contingent Nature of Fees. The fees and reimbursements described in paragraphs (a), (b) and (c) shall be contingent upon the issuance of the Bonds by the City. Such fees and reimbursements shall be payable solely from the proceeds of the Bonds.

SECTION 5. *Responsibilities of the City.* The City shall cooperate with Attorneys and shall furnish Attorneys with certified copies of all proceedings taken by the City, or other deemed necessary by Attorneys to render an opinion upon the validity of such proceedings. All costs and expenses incurred incidental to the actual issuance and delivery of Bonds, including the cost and expense of preparing certified copies of proceedings required by Attorneys in connection with the issuance of the Bonds, the cost of preparing the Bonds for execution and delivery, all printing costs and publication

costs, and any other expenses incurred in connection with the issuance of Bonds, shall be paid by the City.

SECTION 6. *Termination of Agreement.* This Agreement may be terminated by the City at any time by giving written notice to Attorneys with or without cause. In the event of termination, all finished and unfinished documents, exhibits, project data, reports, and evidence shall, at the option of City, become its property and shall be delivered to it by Attorneys. If this Agreement is terminated by the City and the Bonds are subsequently issued, Attorneys shall be paid a fee for their services rendered through the date of such termination, in a pro rata amount of the total fee which would have been paid hereunder had such termination not taken place.

SECTION 7. *Independent Contractor.* Attorneys will act as an independent contractor in performing the services required under this Agreement, and under no circumstances shall Attorneys be considered an agent, partner, or employee of the City.

SECTION 8. *Liability Insurance; Costs of Regulatory Agency Investigations.* Attorneys must maintain at their own expense at all times during the term of this Agreement policies of insurance, acceptable to the City, covering its workers' compensation injuries, public liability and professional liability. In the event any investigation, inquiry or other action is instituted by the Securities and Exchange Commission, the Internal Revenue Service or other governmental regulatory agency into the Certificates under federal securities law or federal tax law, the City and Attorneys shall meet and confer to discuss the extent to which it is appropriate for Attorneys to represent the common interests of the City and Attorneys in responding to such investigation, inquiry or other action, and the extent to which the cost thereof shall be borne by Attorneys.

SECTION 9. *Assignment.* Attorneys may not assign their rights or delegate their obligations under this Agreement, in whole or in part, except with the prior written consent of the City.

SECTION 10. *Conflicts; Prospective Consent.* Attorneys represent many political subdivisions, investment banking firms and financial advisory firms. It is possible that during the time that Attorneys are representing the City, Attorneys will also be representing, on other transactions, the investment banking firm working with the City in connection with the Bonds. Attorneys do not believe such representation, if it occurs, will adversely affect Attorneys' ability to represent the City as provided in this Agreement, either because such matters will be sufficiently different from the issuance of the Bonds so as to make such representations not adverse to our representation of you, or because the potential for such adversity is remote or minor and outweighed by the consideration that it is unlikely that advice given to the other City will be relevant to any aspect of the issuance of the Bonds. Execution of this Agreement will signify the City's consent to Attorneys' representation of others consistent with the circumstances described in this paragraph.

SECTION 11. *Termination of Agreement.*

(a) Termination by City. This Agreement may be terminated at any time by the City with or without cause upon written notice to Attorneys.

(b) Termination by Attorneys. This Agreement may be terminated by Attorneys upon 15 days' written notice to City if City fails to follow written legal advice given by Attorneys.

(c) Termination Upon Issuance of Bonds. This Agreement shall terminate upon the issuance of the Bonds.

(d) Consequences of Termination. In the event of termination, all finished and unfinished documents shall at the option of the City become its property and shall be delivered to the City by Attorneys.

IN WITNESS WHEREOF, the City and Attorneys have executed this Agreement as of the date first above written.

CITY OF OAKLEY

By: _____
City Manager

**JONES HALL
A PROFESSIONAL LAW CORPORATION**

By: _____
Vice President