



DATE: May 4, 2011

TO: Honorable Mayor and City Councilmembers
Chairman and Members, Oceanside Public Financing Authority

FROM: City Treasurer's Office

SUBJECT: **ADOPTION OF RESOLUTIONS 1) AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS RELATING TO THE SALE AND DELIVERY OF, NOT TO EXCEED \$8,000,000, THE 2011 CERTIFICATES OF PARTICIPATION (1998 POLICE AND LIBRARY FACILITIES REFUNDING) AND AUTHORIZING CERTAIN DOCUMENTS AND DIRECTING CERTAIN ACTIONS IN CONNECTION THEREWITH; AND 2) APPROVING A LEASE/PURCHASE AGREEMENT AND CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF DOCUMENTS RELATING TO THE SALE AND DELIVERY OF THE 2011 CERTIFICATES OF PARTICIPATION (1998 POLICE AND LIBRARY FACILITIES REFUNDING) IN A PRINCIPAL AMOUNT NOT TO EXCEED \$8,000,000**

SYNOPSIS

Staff recommends that the City Council and Oceanside Public Financing Authority adopt resolutions 1) authorizing the execution and delivery of documents relating to the sale and delivery of, not to exceed \$8,000,000, the 2011 Certificates of Participation (1998 Police and Library Facilities refunding) and authorizing certain documents and directing certain actions in connection therewith; and 2) approving a lease/purchase agreement and certain other documents in connection with the execution and delivery of documents relating to the sale and delivery of the 2011 Certificates of Participation (1998 Police and Library Facilities Refunding) in a principal amount not to exceed \$8,000,000. The documents pertaining to the sale of the certificates of participation in substantially the form as attached will be approved as part of the resolutions: Lease/Purchase Agreement, Site Lease, Assignment Agreement and Trust Agreement. The bonds proceeds will be used to refund the existing 1998 Certificates of Participation (Police and Library Facilities).

BACKGROUND

On August 20, 1997, City Council approved a Purchase, Sale and Lease Agreement to acquire property to relocate the police headquarters and branch library to the Mission Plaza Real Center. The acquisition and capital improvement costs negotiated in the

agreement were financed through the issuance of Certificates of Participation (COPs) authorized by City Council on October 1, 1997.

On March 15, 1998, the COPs were sold by the City of Oceanside, through the Oceanside Building Authority, in the amount of \$10,750,000, with a 10-year call option and a maturity date of December 1, 2022. Interest on the bonds ranged from 4.50% to 5.20%. The outstanding principal on the bonds is \$7,570,000 as of December 1, 2010. Remaining annual debt service payments range from \$806,000 to \$897,750. The debt service payments on the bonds were originally budgeted from the following City funds, as approved in 1997:

- General Fund – Police Department 12%
- General Fund – Library Department 10%
- Public Facilities Fees CIP Fund 78%

Due to the lack of receipt of development impact fees, funds are no longer available in the Public Facilities Fees Fund to support the existing debt repayment structure. Beginning in Fiscal Year 2011-2012, debt service payments will be budgeted as follows:

- General Fund – Police Department 12%
- General Fund – Library Department 10%
- General Fund – Non-Departmental 78%

The bonds first became eligible for call in 2008; however the financial crisis and downturn in the economy did not provide an opportunity for refinancing the bonds to achieve measurable savings. Also, due to the collapse of the bond insurance market, any public offering of bonds would have required funding a cash reserve as credit enhancement, increasing the amount of bonds issued which further deteriorated potential savings.

ANALYSIS

Since 1997, Public Facilities Fees revenues were used to absorb the majority of the debt service payments on the facilities, alleviating the cost to the General Fund. The recent economic downturn has significantly reduced development-related revenues, including Public Facilities Fees revenue. Without future revenues, the Public Facilities Fees Fund will not have funds available to make the designated 78% of the debt service payments and the General Fund will be responsible to pay the debt service.

In an effort to reduce future debt service payments for the 1998 COPs, given the current market conditions, staff began to explore alternative methods of financing other than issuing publicly offered bonds. Once such alternative is issuing the bonds through private placement, where a sale of bonds is negotiated and sold to institutional or private investors rather than through a public offering, as other City bonds have been sold.

There are several advantages to issuing debt through private placement. The cost of issuance is typically lower in a private placement transaction because there are no underwriting, rating and bond insurance fees. Legal fees are also reduced because an official statement is not required. Another advantage is that private investors do not require a debt service reserve, which reduces the amount of principal that will be issued lowering annual debt service payments. There are some disadvantages to private placement issues such as the number of investors that are willing to enter into private placement deals is dependent on market cycles so the investor pool may not be as plentiful in down markets. Also, private investors may impose some restrictions or other requirements, such as specific insurance requirements, resale restrictions or shorter repayment terms.

Staff requested BLX Group, one of the City's financial advisors, to provide refinancing scenarios through the use of private placement bonds. The results of the request demonstrated positive net present value savings above the normal 3% threshold used to decide whether or not to refinance existing debt. Staff requested the City's underwriters to provide refinancing scenarios through public offerings as a comparison, which showed negative net present value savings.

Staff engaged BLX Group to proceed with the private placement process. Requests for Proposal were distributed on March 22, 2011 to several financial institutions. The City received three responses to the RFP and is currently evaluating and negotiating with the banks with regard to their submitted requirements.

City Council is being asked to approve the issuance of certificates of participation not to exceed \$8 million, at an interest rate not to exceed 4.5%. If the market environment remains as it currently is, the issued par amount will be approximately \$7.9 million with an interest rate below 4%. Depending on the actual negotiated interest rate, savings are estimated at \$30,000 to \$40,000 a year.

Documents to be approved by Council will be finalized and executed during the bond closing process, with the exception of the Bond Counsel Agreement and the Financial Advisor's engagement letter. In addition to granting signing authority to the City Manager/Executive Director, Financial Services Director and/or their designees, the resolutions also provide authority for those authorized officers to approve a Private Placement Agreement once the negotiations are finalized and a bank is selected.

FISCAL IMPACT

The anticipated savings through the refinancing of the 1998 COPs is approximately \$30,000 to \$40,000 annually given current market conditions and preliminary indications from the financial institutions being considered.

The cost of issuing the bonds is estimated at \$125,000 which will cover fees such as financial advisor fees, bond counsel fees, trustee fees, lender fees, lender counsel fees, and title insurance. The known fees are the bond counsel fees (\$37,000) financial advisor fees (\$25,000) and title insurance (\$7,000). The other fees are part of the negotiation process and will be determined prior to bank selection. All fees are paid using bond proceeds.

The debt service payments on the 2011 COPs will be budgeted in Fund 420 – General Debt Service Fund. The 1998 COPs was the only remaining bond issue of the Oceanside Building Authority, and therefore by refinancing the 2011 COPs through the OPFA, the Oceanside Building Authority can be dissolved. This will save audit costs and staff time in the future.

COMMISSION OR COMMITTEE REPORT

Does not apply.

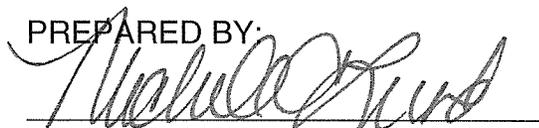
CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

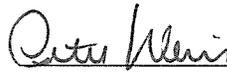
Staff recommends that the City Council and Oceanside Public Financing Authority adopt resolutions 1) authorizing the execution and delivery of documents relating to the sale and delivery of, not to exceed \$8,000,000, the 2011 Certificates of Participation (1998 Police and Library Facilities refunding) and authorizing certain documents and directing certain actions in connection therewith; and 2) approving a lease/purchase agreement and certain other documents in connection with the execution and delivery of documents relating to the sale and delivery of the 2011 Certificates of Participation (1998 Police and Library Facilities Refunding) in a principal amount not to exceed \$8,000,000.

PREPARED BY:



Michele C. Lund, CCMT
Treasury Manager

SUBMITTED BY:



Peter A. Weiss
City Manager\Executive Director

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
Gary Ernst, City Treasurer
Teri Ferro, Director of Financial Services



Attachments/Exhibits

1. Resolution of the City Council of the City of Oceanside authorizing the execution and delivery of documents relating to the sale and delivery of, not to exceed \$8,000,000, the 2011 Certificates of Participation (1998 Police and Library Facilities refunding) and authorizing certain documents and directing certain actions in connection therewith
2. Resolution of the Board of Directors of the Oceanside Public Financing Authority approving a lease/purchase agreement and certain other documents in connection with the execution and delivery of documents relating to the sale and delivery of the 2011 Certificates of Participation (1998 Police and Library Facilities Refunding) in a principal amount not to exceed \$8,000,000
3. Lease/Purchase Agreement between the Oceanside Public Financing Authority and the City of Oceanside
4. Site Lease between the City of Oceanside and the Oceanside Public Financing Authority
5. Assignment Agreement Oceanside Public Financing Authority, the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Trustee
6. Trust Agreement between the Oceanside Public Financing Authority, the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Trustee
7. Bond Counsel Agreement between the City of Oceanside and Stradling, Carlson, Yocca & Rauth
8. BLX Group Financial Advisor Engagement Letter

1 RESOLUTION NO. _____

2 RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
3 OCEANSIDE AUTHORIZING THE EXECUTION AND
4 DELIVERY OF DOCUMENTS RELATING TO THE SALE AND
5 DELIVERY OF, NOT TO EXCEED \$8,000,000, 2011
6 CERTIFICATES OF PARTICIPATION (1998 POLICE AND
7 LIBRARY FACILITIES REFUNDING), AND AUTHORIZING
8 CERTAIN DOCUMENTS AND DIRECTING CERTAIN
9 ACTIONS IN CONNECTION THEREWITH

10 WHEREAS, the City of Oceanside (the "City") is a chartered city duly organized and
11 existing under and pursuant to the Constitution and laws of the State of California (the "State");
12 and

13 WHEREAS, the City and the Oceanside Building Authority, a joint exercise of powers
14 agency duly organized and existing under the laws of the State of California (the "Building
15 Authority") have heretofore entered into a Lease Agreement, dated as of October 1, 1997 (the
16 "1997 Lease Agreement") pursuant to which the Building Authority agreed to lease to the City
17 certain real property and improvements located thereon (the "1998 Project"); and

18 WHEREAS, the Building Authority and the City have previously entered into certain
19 agreements with respect to the execution and delivery of the \$10,750,000 Oceanside Building
20 Authority Certificates of Participation (1998 Police and Library Facilities) (the "1998
21 Certificates"), which 1998 Certificates evidenced undivided proportionate interests in lease
22 payments made pursuant to the terms the 1998 Lease Agreement; and

23 WHEREAS, the City desires to prepay the 1997 Lease Agreement and to defease and
24 refinance the 1998 Certificates; and

25 WHEREAS, the City wishes to enter into certain leases and other agreements and
26 authorize the sale of 2011 Certificates of Participation (1998 Police and Library Facilities
27 Refunding) (the "Certificates") under the Trust Agreement described below in order to refinance
28 the 1998 Project, and

WHEREAS, the City, in order to facilitate the issuance of the Certificates, intends to
lease to the Oceanside Public Financing Authority (the "Authority") the real property and
improvements located thereon, consisting generally of the City's Police Headquarters and branch
library (the "Property"), as set forth in Exhibit A to the Site Lease (as defined below) and to
lease the Property back from the Authority pursuant to the Lease (as defined below); and

1 WHEREAS, on the date of adoption of this Resolution, the City Council has conducted a
2 public hearing regarding the refinancing of the 1998 Project in accordance with the provisions of
3 the Marks-Roos Local Bond Pooling Act of 1985 (the “Act”); and

4 WHEREAS, all acts, conditions and things required by the Constitution and laws of the
5 State to exist, to have happened and to have been performed precedent to and in connection with
6 the consummation of the financing authorized hereby do exist, have happened and have been
7 performed in regular and due time, form and manner as required by law, and the City is now duly
8 authorized and empowered, pursuant to each and every requirement of law, to consummate such
9 financing for the purpose, in the manner and upon the terms herein provided;

10 NOW, THEREFORE, the City Council of the City of Oceanside does resolve as follows:

11 SECTION 1. Findings. The City Council hereby specifically finds and declares that
12 each of the statements, findings and determinations of the City set forth in the recitals set forth
13 above and in the preambles of the documents approved herein are true and correct and that the
14 refinancing of the 1998 Project will result in significant public benefits for the residents of the
15 City. The City Council hereby further finds and determines that there are significant public
16 benefits to the citizens of the City of the type described in Section 6586(a) of the Act by having
17 the Authority assist the City with respect to the refinancing of the 1998 Project through the
18 execution and delivery of the Certificates, in that the execution and delivery of the Certificates
19 and related transactions will result in demonstrable savings in effective interest rate to the City.

20 SECTION 2. Authorization of Certificates. The City Council hereby expresses its
21 intention of refinancing the 1998 Project through the preparation, sale and delivery of
22 Certificates in an amount not to exceed \$8,000,000.

23 SECTION 3. Lease/Purchase Agreement. The form of the Lease/Purchase Agreement
24 between the City and the Authority (the “Lease”), presented to this meeting and on file with the
25 City Clerk (the “Clerk”), is hereby approved. Each of the Mayor of the City (the “Mayor”), the
26 City Manager of the City (the “City Manager”) and the Financial Services Director of the City
27 (the “Financial Services Director”), or their designees (collectively, the “Authorized Officers”),
28 is hereby authorized and directed, for and in the name and on behalf of the City, to execute and
deliver to the Authority the Lease in substantially said form, with such changes therein as the
Authorized Officer or Officers executing the Lease may require or approve, such approval to be
conclusively evidenced by the execution and delivery thereof by one or more of the Authorized
Officers.

1 SECTION 4. Appointment. The Bank of New York Mellon Trust Company, N.A. is
2 appointed trustee (the “Trustee”) under the Trust Agreement (defined below).

3 SECTION 5. Trust Agreement. The form of the Trust Agreement (the “Trust
4 Agreement”) among the City, the Authority and the Trustee, presented to this meeting and on file
5 with the Clerk, is hereby approved. Each of the Authorized Officers is hereby authorized and
6 directed, for and in the name and on behalf of the City, to execute and deliver to the Authority
7 and the Trustee the Trust Agreement in substantially said form, with such changes therein as the
8 Authorized Officer or Officers executing the Trust Agreement may require or approve, such
9 approval to be conclusively evidenced by the execution and delivery thereof by one or more of
the Authorized Officers.

10 SECTION 6. Escrow Agreement. The form of the Escrow Agreement (the “Escrow
11 Agreement”) by and between the City and The Bank of New York Mellon Trust Company, N.A.,
12 as Escrow Bank, (the “Escrow Bank”), presented to this meeting and on file with the Clerk, is
13 hereby approved. Each of the Authorized Officers is hereby authorized and directed, for and in
14 the name and on behalf of the City, to execute and deliver to the Building Authority and the
15 Escrow Bank the Escrow Agreement in substantially said form, with such changes therein as the
16 Authorized Officer or Officers executing the Escrow Agreement may require or approve, such
17 approval to be conclusively evidenced by the execution and delivery thereof by one or more of
the Authorized Officers.

18 SECTION 7. Assignment Agreement. The Assignment Agreement between the Trustee
19 and the Authority (the “Assignment Agreement”) in the form on file with the Clerk is hereby
approved for execution and delivery by the Authority.

20 SECTION 8. Approval of Private Placement Agreement. Each of the Authorized
21 Officers is hereby authorized to negotiate the terms of a private placement agreement (the
22 “Private Placement Agreement”) among the City, the Authority and an investor who satisfies the
23 criteria for a “qualified institutional buyer” as set forth in the Trust Agreement, and, subject to
24 such approval and subject to the provisions hereof, the Authorized Officers are each hereby
25 authorized and directed to evidence the City’s acceptance of the offers made by the Private
26 Placement Agreement by executing and delivering the Private Placement Agreement in the form
27 negotiated by the Authorized Officers, with such terms as the Authorized Officer or Officers
28 executing the same may approve and such matters as are authorized by this Resolution, such

1 approval to be conclusively evidenced by the execution and delivery thereof by any one of the
2 Authorized Officers.

3 SECTION 9. Financial Services Director and City Manager to Establish Final Terms of
4 Issuance. The Financial Services Director, the City Manager and their designees are each
5 authorized, on behalf of the City, to establish and determine (i) the final principal amount of the
6 Certificates, not to exceed \$8,000,000; and (ii) the final interest rates on various maturities of the
7 Certificates, not to exceed a total interest cost of 4.5% per annum for the Certificates as a whole.

8 SECTION 10. Site Lease. The form of the Site Lease (the "Site Lease"), between the
9 Authority and the City, presented to this meeting and on file with the Clerk, is hereby approved.
10 Each of the Authorized Officers is hereby authorized and directed, for and in the name and on
11 behalf of the City, to execute and deliver to the Authority the Site Lease in substantially said
12 form, with such changes therein as the Authorized Officer or Officers executing such document
13 may require or approve, such approval to be conclusively evidenced by the execution and
14 delivery thereof.

15 SECTION 11. Attestations. The Clerk or persons as may have been designated by the
16 City Manager are hereby authorized and directed to attest the signature of the Authorized
17 Officers designated herein to execute any documents described herein, and to affix and attest the
18 seal of the City, as may be required or appropriate in connection with the execution and delivery
19 of the Private Placement Agreement, the Lease, the Trust Agreement and the Site Lease.

20 SECTION 12. Professional Services. The Financial Services Director and the City
21 Manager are each authorized to execute contracts with Stradling Yocca Carlson & Rauth, a
22 Professional Corporation, to act as Bond Counsel to the City and BLX to act as Financial
23 Advisor, which contracts shall be in substantially the form on file with the Clerk, together with
24 such changes as may be approved by the Financial Services Director and the City Manager, or
25 their designee, which changes shall be deemed approved by the execution and delivery of such
26 contracts by any one of such officers.

27 SECTION 13. Other Actions. The Authorized Officers are each hereby authorized and
28 directed, jointly and severally, to do any and all things and to execute and deliver any and all
documents which each may deem necessary or advisable (including the execution and delivery
of instruments terminating the leases and assignments pertaining to the 1998 Certificates and
acquiring title insurance or other insurance required by the Lease Agreement or the Purchase
Agreement and to pay associated costs of issuance, including legal costs of the purchaser of the

1 Certificates) in order to consummate the sale, execution and delivery of the Certificates, the
2 prepayment of the 1998 Certificates and the 1997 Lease Agreement and otherwise to carry out,
3 give effect to and comply with the terms and intent of this Resolution, the Certificates, the Lease,
4 the Trust Agreement, the Site Lease and the Private Placement Agreement. Such actions
5 heretofore taken by such officers or designees are hereby ratified, confirmed and approved. In
6 the event that it is determined by the City Manager, the Financial Services Director, or their
7 designees, that there are limitations or restrictions on the ability of the City to lease any portion
8 of the Site as contemplated by the Site Lease and the Lease, the Financial Services Director, the
9 City Manager, and their designees, may designate other real property of the City to be leased
10 pursuant to the Site Lease and the Lease with such designation to be conclusively evidenced by
11 the execution and delivery of the Site Lease and the Lease by one or more of the Authorized
12 Officers.

13 SECTION 14. Effect. This Resolution shall take effect immediately upon its passage.

14 PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this
15 _____ day of _____, 2011, by the following vote:

16 AYES:
17 NAYS:
18 ABSENT:
19 ABSTAIN:

20 _____
MAYOR OF THE CITY OF OCEANSIDE

21 ATTEST:

22 APPROVED AS TO FORM:

23 _____
24 City Clerk

25 
26 _____
27 City Attorney

1 RESOLUTION NO. _____

2 RESOLUTION OF THE BOARD OF DIRECTORS OF THE
3 OCEANSIDE PUBLIC FINANCING AUTHORITY APPROVING
4 A LEASE/PURCHASE AGREEMENT WITH THE CITY OF
5 OCEANSIDE AND CERTAIN OTHER DOCUMENTS IN
6 CONNECTION WITH THE EXECUTION AND DELIVERY OF
7 THE 2011 CERTIFICATES OF PARTICIPATION (1998 POLICE
8 AND LIBRARY FACILITIES REFUNDING) IN A PRINCIPAL
9 AMOUNT NOT TO EXCEED \$8,000,000

10 WHEREAS, the Oceanside Public Financing Authority is a joint exercise of powers
11 authority duly organized and existing under the laws of the State of California (the "Authority")
12 with the authority to assist in the financing of the acquisition, construction, installation and
13 equipping of certain capital improvements on behalf of the City of Oceanside (the "City"); and

14 WHEREAS, the City and the Oceanside Building Authority, a joint exercise of powers
15 agency duly organized and existing under the laws of the State of California (the "Building
16 Authority") have heretofore entered into a Lease Agreement, dated as of October 1, 1997 (the
17 "1997 Lease Agreement") pursuant to which the Building Authority agreed to lease to the City
18 certain real property and improvements located thereon (collectively, the "1998 Project"); and

19 WHEREAS, the Building Authority has previously entered into certain agreements with
20 respect to the execution and delivery of the \$10,750,000 Oceanside Building Authority
21 Certificates of Participation (1998 Police and Library Facilities) (the "1998 Certificates"), which
22 1998 Certificates evidenced undivided proportionate interests in lease payments made pursuant
23 to the terms the 1997 Lease Agreement; and

24 WHEREAS, in order to prepay the 1997 Lease Agreement and refinance and defease the
25 1998 Certificates, the Authority and the City have determined that it would be in the best
26 interests of the Authority, the City and residents of the City to authorize the preparation, sale and
27 delivery of the 2011 Certificates of Participation (1998 Police and Library Facilities Refunding)
28 in an aggregate principal amount not to exceed \$8,000,000 (the "Certificates"), which
Certificates evidence fractional interests in certain lease payments to be made pursuant to the
Lease (as defined below).

WHEREAS, in order to facilitate the execution and delivery of the Certificates, the City
and the Authority desire to enter into a private placement agreement by and among the
Authority, the City and an investor that satisfies the criteria for a "qualified institutional buyer"

1 as set forth in the Trust Agreement (defined below) (the "Purchase Agreement"), a Site Lease
2 between the City and the Authority (the "Site Lease") and a Lease/Purchase Agreement between
3 the City and the Authority (the "Lease"), the forms of which have been presented to this Board
4 of Directors at the meeting at which this Resolution is being adopted and pursuant to which the
5 City will under the Site Lease lease the certain real property and improvements located thereon,
6 as set forth in Exhibit A to the Site Lease (the "Property"), to the Authority and under the Lease
7 will lease the Property back from the Authority and pay certain Lease Payments (as defined in
8 the Lease), which have been pledged to the owners of the 2011 Certificates of Participation by
9 the Authority pursuant to a Trust Agreement among The Bank of New York Mellon Trust
10 Company, N.A. (the "Trustee"), the City and the Authority (the "Trust Agreement"), the form of
11 which has been presented to this Board of Directors at the meeting at which this Resolution is
12 being adopted; and

13 WHEREAS, the Authority desires to assign its right to receive such Lease Payments from
14 the City to the Trustee pursuant to an Assignment Agreement between the Authority and the
15 Trustee (the "Assignment Agreement"), the form of which has been presented to this Board of
16 Directors at the meeting at which this Resolution is being adopted;

17 NOW, THEREFORE, the Board of Directors of the Oceanside Public Financing
18 Authority does hereby resolve as follows:

19 SECTION 1. Certificates. This Board of Directors hereby authorizes the preparation,
20 sale and delivery of the Certificates in an aggregate principal amount not to exceed \$8,000,000 in
21 accordance with the terms and provisions of the Trust Agreement. The purposes for which the
22 proceeds of the sale of the Certificates shall be expended are to refinance the 1998 Project, and to
23 pay the costs of the sale and delivery of the Certificates.

24 SECTION 2. Certificate Documents. The Site Lease, the Lease, the Trust Agreement
25 and the Assignment Agreement (the "Agreements") presented at this meeting are approved.
26 Each of the Chairman, Vice Chairman, Executive Director, Treasurer and Secretary of the
27 Authority, or the Chairman's designee, are authorized and directed to execute and deliver the
28 Agreements and to negotiate the terms of the Purchase Agreement. The Agreements shall be
executed in substantially the forms hereby approved, with such additions thereto and changes
therein as are recommended or approved by counsel to the Authority and approved by one or
more of the foregoing officers of the Authority authorized to execute the documents, such
approval to be conclusively evidenced by the execution and delivery thereof by one or more of

1 the officers listed above. The Purchase Agreement shall be approved by one or more of the
2 foregoing officers of the Authority authorized to negotiate its terms, such approval to be
3 conclusively evidenced by the execution and delivery thereof by one or more of the officers
4 listed above.

5 SECTION 3. Establishment of Final Terms of Issuance. The Financial Services
6 Director of the City, the City Manager of the City and their designees are each authorized to
7 establish and determine (i) the final principal amount of the Certificates, not to exceed
8 \$8,000,000; and (ii) the final interest rates on various maturities of the Certificates, not to exceed
9 a total interest cost of 4.5% per annum for the Certificates as a whole.

10 SECTION 4. Other Actions. The Chairman, Vice Chairman, Executive Director,
11 Treasurer, Secretary and other officers of the Authority are authorized and directed, jointly and
12 severally, to do any and all things and to execute and deliver any and all documents which they
13 may deem necessary or advisable in order to consummate the sale and delivery of the
14 Certificates, and the execution of the Agreements and otherwise effectuate the purposes of this
15 Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

16 SECTION 5. Effect. This Resolution shall take effect from and after its date of
17 adoption.

18 PASSED AND ADOPTED by the Board of Directors of the Oceanside Public Financing
19 Authority, California, this ____ day of _____, 2011, by the following vote:

- 20 AYES:
21 NAYS:
22 ABSENT:
23 ABSTAIN:

24 CHAIRMAN OF THE OCEANSIDE
25 PUBLIC FINANCING AUTHORITY

26 ATTEST:

27 APPROVED AS TO FORM:

28 _____
Secretary



City Attorney

RECORDING REQUESTED BY:
CITY OF OCEANSIDE

WHEN RECORDED MAIL TO:
Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attn: Robert J. Whalen

[Space above for Recorder's use.]

This document is recorded for the benefit of the City of Oceanside and recording is fee-exempt under § 27383 of the Government Code.

LEASE/PURCHASE AGREEMENT

by and between the

OCEANSIDE PUBLIC FINANCING AUTHORITY, as Lessor

and the

CITY OF OCEANSIDE, as Lessee

Dated as of May 1, 2011

§ _____
**CITY OF OCEANSIDE
2011 CERTIFICATES OF PARTICIPATION
(1998 POLICE AND LIBRARY FACILITIES REFUNDING)**

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LEASE/PURCHASE AGREEMENT

THIS LEASE/PURCHASE AGREEMENT, dated as of May 1, 2011, by and between the OCEANSIDE PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California, as lessor (the "Authority"), and the CITY OF OCEANSIDE, a municipal corporation and a chartered city duly organized and existing under the Constitution and laws of said State, as lessee (the "City");

WITNESSETH:

WHEREAS, the City may enter into leases and agreements relating to real property and buildings to be used by the City; and

WHEREAS, the City and the Oceanside Building Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Building Authority") have heretofore entered into a Lease Agreement, dated as of October 1, 1997 (the "1997 Lease Agreement"), pursuant to which the Building Authority agreed to lease to the City certain real property and improvements located thereon (the "1998 Project"); and

WHEREAS, the Building Authority has previously issued its \$10,750,000 Oceanside Building Authority Certificates of Participation (1998 Police and Library Facilities) (the "1998 Certificates"), which 1998 Certificates were secured by lease payments under and pursuant to the terms the 1997 Lease Agreement; and

WHEREAS, the City and the Authority desire to prepay the 1997 Lease Agreement and to defease and refinance the 1998 Certificates by entering into this Lease/Purchase Agreement (the "Lease") and authorizing and directing the execution and delivery of the City of Oceanside 2011 Certificates of Participation, (1998 Police and Library Facilities Refunding) (the "Certificates"), evidencing fractional interests in Lease Payments (as defined in the Trust Agreement) to be made by the City under this Lease (the "Project"); and

WHEREAS, the City has entered into a Site Lease of even date herewith (the "Site Lease") with the Authority under which the City has agreed to lease the property described in Exhibit B-1 hereto (the "Fee Property") and the property described in Exhibit B-2 hereto (the "Library Lease Property") to the Authority, and which Site Lease provides that at the expiration of the Site Lease (as provided in Section 8 thereof) (i) the title to the Fee Property shall vest in the City, and (ii) the possession of the Library Lease Property will remain with the City; and

WHEREAS, in consideration of the Lease Payments to be paid by the City to the Authority hereunder, the Authority will sublease to the City the Fee Property and the Library Lease Property and will cause the defeasance and refinancing of the 1998 Certificates;

WHEREAS, the Authority is authorized pursuant to the laws of the State of California and its formation documents to provide financial assistance to the City by acquiring, constructing and financing or refinancing various public facilities, land and equipment and the leasing of facilities, land and equipment or refinancing for the use, benefit and enjoyment of the public;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the

Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Lease;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions and Rules of Construction. Unless the context otherwise requires, the capitalized terms used herein shall, for all purposes of this Lease, have the meanings specified in the Trust Agreement related to the Certificates (the "Trust Agreement"), dated as of the date hereof, by and among Bank of New York Mellon Trust Company, N.A., as Trustee thereunder, the Authority, and the City, together with any amendments thereof or supplements thereto permitted to be made thereunder; and the additional terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Lease, refer to this Lease as a whole.

"Environmental Regulations" shall mean all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, "CERCLA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, "RCRA"), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, "Title III"), the Clean Water Act, as amended (33 U.S.C. Section 1321 et seq.) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, "CAA") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, "TSCA"), and any state or local similar laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

"Fee Property and Library Lease Property" means the real property described in Exhibit B-1 and B-2 hereto being leased to the City by the Authority.

"Hazardous Materials" means any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the City, the Property or the business operations conducted by the City thereon.

“Library Lease” means that _____ dated _____ by and between the City and _____ with respect to the Library Lease Property.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of Section 7.7 hereof, permit to remain unpaid; (ii) the Assignment Agreement; (iii) this Lease; (iv) the Site Lease; (v) any contested right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law to the extent permitted under Section 7.8(b) hereof; (vi) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions, liens or restrictions which exist of record as of the Closing Date and which the City hereby certifies will not materially impair the use of the Property by the City; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of this Lease and to which the Owner, the Authority, the City and the Trustee consent in writing; and (viii)- with respect to the Library Lease Property, the Library Lease.

“Property” means the Fee Property and Library Lease Property being leased to the City by the Authority. The phrases “to purchase the Property” or “to sell the Property” shall refer to the transfer of fee title to the Fee Property and the transfer of a leasehold interest in the Library Lease Property unless a different meaning is plainly evident from the context.

Section 1.2. Exhibits. The following Exhibits are attached to, and by reference made a part of, this Lease:

Exhibit A: Schedule of Lease Payments to be paid by the City to the Authority, showing the Lease Payment Date and amount of each Lease Payment.

Exhibit B-1: Legal Description of the Fee Property.

Exhibit B-2: Legal Description of the Library Lease Property.

Exhibit C: Lease Supplement Form.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the City. The City represents, covenants and warrants to the Authority as follows:

(a) Due Organization and Existence. The City is a municipal corporation and a chartered city duly organized and existing under the Constitution and laws of the State.

(b) Authorization; Enforceability. The Constitution and laws of the State authorize the City to enter into this Lease, the Site Lease, the Trust Agreement, and the Continuing Disclosure Agreement, and to enter into the transactions contemplated by and to carry out its obligations under all of the aforesaid leases and agreements; the City has duly authorized and executed all of the aforesaid leases and agreements. This Lease, the Site Lease, the Trust Agreement, and the Continuing Disclosure Agreement constitute the legal, valid and binding obligations of the

City enforceable in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally.

(c) No Conflicts or Default; No Liens or Encumbrances. Neither the execution and delivery of this Lease, the Site Lease, the Continuing Disclosure Agreement, or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the City, or upon the Property except for Permitted Encumbrances and the pledges contained in the Trust Agreement.

(d) Execution and Delivery. The City has duly authorized and executed this Lease in accordance with the Constitution and laws of the State.

(e) Indemnification of Authority. The City covenants to defend, indemnify and hold harmless the Authority and its directors, officers, employees and assigns (collectively, the "Indemnified Party") against any and all losses, claims, damages or liabilities, joint or several, including fees and expenses incurred in connection therewith, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise in connection with the transactions contemplated by this Lease, and shall reimburse any such Indemnified Party for any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of the transactions contemplated by this Lease. In particular, without limitation, the City shall and hereby agrees to indemnify and save the Indemnified Party harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the City, (ii) any breach or default on the part of the City in the performance of any of its obligations under this Lease, (iii) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Property, or (iv) any act of negligence of any assignee or sublessee of the City with respect to the Property. No indemnification is made under this Section or elsewhere in this Lease for claims, losses or damages, including legal fees and expenses arising out of the willful misconduct or negligence under this Lease by the Authority, its officers, agents, employees, successors or assigns.

(f) General Tax and Arbitrage Covenant. The City hereby covenants that, notwithstanding any other provision of this Lease, it shall 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 with respect to the Certificates under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The City shall not, directly or indirectly, use or permit the use of proceeds of the Certificates or the Property, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest with respect to the Certificates.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be "private activity bonds" within the meaning of

Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Certificates or the Property, or any portion thereof, or any other funds of the City, that would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Certificates are outstanding, the City, with respect to such proceeds and the Property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect.

The City shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of the Property, or other funds of the City, or take or omit to take any action, that would cause the Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

The City shall not make any use of the proceeds of the Certificates or any other funds of the City, or take or omit to take any other action, that would cause the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(g) Floodplain. The City hereby represents that the Fee Property and Library Lease Property is not in a 100 year floodplain.

(h) Essentiality of Property. The City hereby represents that the Property is essential for the City’s performance of its governmental functions.

(i) Zoning Environmental and Safety Ordinance Compliance. The City hereby represents that the Property complies in all respects with applicable zoning, environmental and safety ordinances.

(j) Title Insurance. The City hereby represents that the Property is the same property which is the subject of the ALTA title insurance policy (with western regional exceptions) or the CLTA title insurance policy issued by Fidelity National Title Company pursuant to Section 5.5 hereof.

Section 2.2. Representations, Covenants and Warranties of the Authority. The Authority represents, covenants and warrants to the City as follows:

(a) Due Organization and Existence; Enforceability. The Authority is a joint powers authority duly organized, existing and in good standing under and by virtue of the laws of the State, has the power to enter into this Lease, the Assignment Agreement, the Site Lease, and the Trust Agreement; is possessed of full power to own and hold real and personal property, and to lease and sell the same; and has duly authorized the execution and delivery of all of the aforesaid leases and agreements. This Lease, the Assignment Agreement, the Site Lease, and the Trust Agreement constitute the legal, valid and binding obligations of the Authority, enforceable in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally.

(b) No Conflicts or Defaults; No Liens or Encumbrances. Neither the execution and delivery of this Lease, the Assignment Agreement, the Site Lease, or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of the joint powers agreement of the Authority or any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Authority, or upon the Property except by Permitted Encumbrances and by the pledge contained in the Trust Agreement.

(c) Execution and Delivery. The Authority has duly authorized and executed this Lease in accordance with the laws of the State.

(d) Maintenance of Existence. To the extent permitted by law, the Authority agrees that during the term hereof it will maintain its existence as a joint powers authority, will not become a general or limited partner in any partnership and will not combine or consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it.

(e) General Tax and Arbitrage Covenant. The Authority covenants that, notwithstanding any other provision of this Lease, it shall not take any action if any such action would adversely affect the exclusion from gross income of interest with respect to the Certificates under Section 103 of the Code. To the extent that the Authority may control the Property or the proceeds of the Certificates, the Authority shall not, directly or indirectly, use or permit the use of proceeds of the Certificates or the Property, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest with respect to the Certificates.

The Authority shall not take any action if any such action would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code, and in furtherance thereof, to the extent that the Authority may control the Property or the proceeds of the Certificates, shall not make any use of the proceeds of the Certificates or the Property, or any portion thereof, or any other funds of the City, that would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Certificates are outstanding, to the extent that the Authority may control the Property or the proceeds of the Certificates, the Authority, with respect to such proceeds and the Project and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect.

To the extent that the Authority may control the Property or the proceeds of the Certificates, the Authority shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of the Property, or other funds of the City, or take or omit to take any action, that would cause the Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, to the extent that the Authority may control the Property or the proceeds of the Certificates, the Authority shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

To the extent that the Authority may control the proceeds of the Certificates, the Authority shall not make any use of the proceeds of the Certificates or any other of its funds, or take or omit to take any other action, that would cause the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

ARTICLE III

APPLICATION OF PROCEEDS

Section 3.1. Deposit of Certificate Proceeds. On the Closing Date for the Certificates and on the Closing Date for any Additional Certificates, the Authority agrees to pay or cause to be paid to the Trustee the proceeds of the sale of the Certificates and Additional Certificates, which moneys, in the case of the Certificates, shall be deposited with the Trustee as provided in Section 2.05 of the Trust Agreement, or in the case of Additional Certificates as provided in any Supplemental Trust Agreement which relates to such Additional Certificates.

Section 3.2. Defeasance of 1998 Certificates. The Authority’s lease payment for the Property in the amount of the net proceeds of the Certificates, as provided in the Site Lease, shall be deposited in the Escrow Fund as provided in the Trust Agreement, which moneys shall be disbursed for purpose of defeasing the 1998 Certificates in accordance with Section 3.02 of the Indenture. Such amount shall be delivered by the City on the Closing Date to the Trustee.

Section 3.3. Payment of Costs of Issuance. Payment of the Costs of Issuance shall be made from the moneys deposited with the Trustee in the Costs of Issuance Fund as provided in Section 3.1 hereof and Section 2.05 of the Trust Agreement, which shall be disbursed in accordance and upon compliance with Article III of the Trust Agreement.

Section 3.4. Further Assurances and Corrective Instruments. The Authority and the City agree that they will, 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 Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

ARTICLE IV

AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

Section 4.1. Lease. The Authority hereby leases the Property to the City, and the City hereby leases the Property from the Authority, upon the terms and conditions set forth herein. This Lease shall not operate as a merger of the City’s leasehold estate in the Property pursuant to this Lease and its fee estate in the Property and shall not cause the extinguishment of the leasehold interest granted to the Authority under the Site Lease.

Section 4.2. Term. The Term of this Lease shall commence on the date of execution hereof and shall end on [December 31, 2022], unless extended pursuant to Section 4.3 hereof, or unless terminated prior thereto upon the earliest of any of the following events:

(a) Default and Termination. A default by the City and the Authority’s election to terminate this Lease under Section 9.2(b) hereof;

(b) Payment of All Lease Payments. The payment by the City of all Lease Payments required under Section 4.4 hereof and any Additional Payments required under Section 4.11 hereof; or

(c) Prepayment. The deposit of funds or Government Obligations with the Trustee in amounts sufficient to pay all Lease Payments as the same shall become due, as provided in Section 10.1 hereof and in Section 14.01 of the Trust Agreement.

(d) Purchase. Upon the exercise by the City of its option to purchase all of the Authority's interest in the Property as provided in Section 7.3 hereof; provided, however, that upon exercise by the City of its option to purchase the Authority's interest in a portion of the Property, as provided in Section 7.3, the Lease shall be terminated only with respect to the portion of the Property purchased.

Section 4.3. Extension of Lease Term. The Term of this Lease may be extended up to [December 31, 2032] in connection with the execution and delivery of any Additional Certificates. If on the final maturity date of the Certificates or any Additional Certificates all interest components and principal components represented thereby shall not be fully paid by the City, or if the Lease Payments or Additional Payments hereunder shall have been abated at any time as permitted by the terms hereof, then the Term shall be extended until all Certificates and Additional Certificates shall be fully paid, except that the Term shall in no event be extended beyond December 31, 2032.

Section 4.4. Lease Payments.

(a) Time and Amount. Subject to the provisions of Section 4.10 (regarding abatement in event of loss of use of any portion of the Property), Section 7.3 (regarding option to purchase) and Article X (regarding prepayment of Lease Payments), the City agrees to pay to the Authority, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments (denominated into components of principal and interest, the interest component being paid semiannually) in the amounts specified in Exhibit A, to be due and payable in arrears on the fifteenth (15th) day of each month specified in Exhibit A (or if such day is not a Business Day, the next succeeding Business Day) (the "Lease Payment Date") which are sufficient in both time and amount to pay when due the annual principal and interest represented by the Certificates. In the event that any Additional Certificates are executed and delivered pursuant to the Trust Agreement, the City and the Trustee shall execute an amendment to Exhibit A to state the Lease Payments due hereunder as a result of the execution and delivery of such Additional Certificates.

The obligation of the City to pay Lease Payments shall commence on the Closing Date for the Certificates. In the event the City does not pay a Lease Payment due on the respective Lease Payment Date, the Trustee shall provide prompt written notice to the City of such failure to pay; provided, however, that failure to give such notice shall not excuse any event of default under Section 9.1 hereof.

(b) Credits. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than capitalized interest, which shall be credited in accordance with Section 5.03 of the Trust Agreement, and other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Section 10.2 hereof and other amounts required for payment of principal with respect to any Certificates or Additional Certificates that have matured or been called for payment and have not been presented for payment or interest) shall be credited towards the Lease

Payment then due and payable. No Lease Payment shall be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund (other than those amounts excluded under the prior sentence) are at least equal to the Lease Payment then required to be paid.

(c) Rate on Overdue Payments. In the event the City should fail to make any of the Lease Payments required in this Section, the Lease Payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable at the rate equal to the original interest rate payable with respect to each Certificate or Additional Certificate, as applicable, represented by such delinquent Lease Payment.

Section 4.5. No Withholding. Notwithstanding any dispute between the Authority and the City, including a dispute as to the failure of any portion of the Property in use by or possession of the City to perform the task for which it is leased, the City shall make all Lease Payments and Additional Payments when due and shall not withhold any Lease Payments pending the final resolution of such dispute.

Section 4.6. Fair Rental Value. The Lease Payments and Additional Payments shall be paid by the City in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Property during each such period for which said Lease Payments are to be paid. The parties hereto have agreed and determined that such total rental represents the fair rental value of the Property. In making such determination, consideration has been given to the fair market value and replacement cost of the Property, other obligations of the parties under this Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public, and the transfer of the Authority's leasehold interest in the Property at the end of the Term.

Section 4.7. Budget and Appropriation. The City covenants to take such action as may be necessary to include all Lease Payments and Additional Payments (to the extent the amounts of such Additional Payments are known to the City at the time its annual budget is proposed), due hereunder in its annual budget and to make the necessary annual appropriations therefor, and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. To the extent the amount of such payments becomes known after the adoption of the annual budget, such amounts shall be included and maintained in such budget as amended. During the Term, the City will furnish annually, on or before August 1 of each year, to the Trustee a certificate of the City Representative stating that all Lease Payments and Additional Payments due hereunder for the applicable Fiscal Year have been included in its annual budget and the amount so included. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the ministerial duty of each and every public official of the City to take such action and do such things as are 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.

The obligation of the City to pay Lease Payments and Additional Payments hereunder shall constitute a current expense of the City and shall not in any way be construed to be a debt of the City, or the State, or any political subdivision thereof, in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the City, the State, or any political subdivision thereof, nor shall anything contained herein constitute a pledge of general revenues, funds or moneys of the City beyond the Fiscal Year for which the City has appropriated

funds to pay Lease Payments and Additional Payments hereunder or 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.

Section 4.8. Assignment of Lease Payments. Certain of the Authority's rights under this Lease, including the right to receive and enforce payment of the Lease Payments and Additional Payments, Prepayments, to be made by the City hereunder, have been assigned absolutely to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the City hereby consents. The Authority hereby directs the City, and the City hereby agrees, to pay to the Trustee at the Trustee's corporate trust office in Los Angeles, California, or to the Trustee at such other place as the Trustee shall direct in writing, all Lease Payments, or Prepayments thereof payable by the City hereunder. The Authority will not assign or pledge the Lease Payments or other amounts derived from the Property and from its other rights under this Lease except as provided under the terms of this Lease, the Assignment Agreement and the Trust Agreement, or its duties and obligations except as provided under this Lease.

Section 4.9. Use and Possession. The total Lease Payments due in any Fiscal Year shall be for the City's right to use and possession of the Property for such Fiscal Year. During the Term of this Lease, the City shall be entitled to the exclusive use and possession of the Property, subject only to the Permitted Encumbrances.

Section 4.10. Abatement of Lease Payments and Additional Payments.

(a) In the Event of Damage, Destruction, Condemnation or Title Defect. Except to the extent that proceeds of the type described in the following paragraph are available, the amount of Lease Payments and Additional Payments shall be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation of the Property or defects in the title with respect to the Property there is substantial interference with the use and possession of all or a portion of the Property by the City. The amount of such abatement shall be such that the resulting Lease Payments, exclusive of the amounts described in the following paragraph, do not exceed the fair rental value (as determined by an independent real estate appraiser selected by the City, who is not an employee of the City) for the use and possession of the portion of the Property not damaged, destroyed, interfered with or taken. Such abatement shall continue for the period commencing with such damage, destruction, interference or taking and ending with the substantial completion of the replacement or work of repair or the removal of the title defect causing such interference with use. Except as provided herein, in the event of any such damage, destruction, interference or taking, this Lease shall continue in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage, destruction, interference or taking.

Notwithstanding a substantial interference with the use and possession of all or a portion of the Property, the City shall remain obligated to make Lease Payments which would otherwise be abated (i) to the extent that moneys derived from any person as a result of any delay in the reconstruction, replacement or repair of the Property, or any portion thereof, are available to pay the amount which would otherwise be abated; and (ii) to the extent that moneys are available in the Reserve Fund or the Lease Payment Fund to pay the amount which would otherwise be abated. The Lease Payments shall be payable from such amounts paid under (i) and (ii) above as an obligation of the City payable from a special fund.

(b) Repair or Replacement. In the event of such abatement, unless the abatement will be avoided as a result of a prepayment of Lease Payments from Net Proceeds pursuant to Section 6.1(c), the City will use its best efforts to repair or replace the damaged or destroyed or taken portion of the Property, as the case may be, from Net Proceeds or special funds of the City or other moneys the application of which would, in the opinion of Special Counsel addressed to the Trustee, the City and the Authority, not result in the obligations of the City hereunder constituting indebtedness of the City in contravention of the Constitution and laws of the State.

Section 4.11. Additional Payments. In addition to the Lease Payments, the City shall also pay such amounts (“Additional Payments”) as shall be required for the payment of all administrative costs of the Authority relating to the Property, the Certificates and any Additional Certificates, including without limitation all expenses, compensation and indemnification of the Trustee payable by the City under the Trust Agreement, taxes of any sort whatsoever payable by the Authority as a result of its interest in the Property or undertaking of the transactions contemplated herein or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers and any and all other amounts due to the Owner and all other necessary administrative costs of the Authority or charges required to be paid by it in order to comply with the terms of the Certificates and any Additional Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to Article V hereof or to indemnify the Authority and its employees, officers and directors and the Trustee. All such Additional Payments to be paid hereunder shall be paid when due directly by the City to the respective parties to whom such Additional Payments are owing.

Section 4.12. Net-Net-Net Lease. This Lease shall be deemed and construed to be a “net-net-net lease” and the City hereby agrees that the Lease Payments shall be an absolute net return to the Authority, free and clear of any expenses, taxes, fees, insurance premiums, rebate payments, reserve deposits, costs associated with the Project, charges or set-offs whatsoever, except as expressly provided herein.

ARTICLE V

INSURANCE

Section 5.1. Public Liability and Property Damage.

(a) Coverage. The City shall maintain or cause to be maintained, throughout the Term hereof, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the City, its officers, agents and employees. 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 use or operation of any City property or portion thereof.

(b) Limits. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$500,000 for damage to property resulting from each accident or event (in each case subject to a deductible clause of not to exceed \$250,000 or such higher amount as is consented to by the Owner). Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth herein.

(c) Joint or Self-Insurance. Such liability insurance, including the deductible, may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and, subject to compliance with Section 5.6(e) hereof, may be maintained in the form of self-insurance by the City.

(d) Payment of Net Proceeds. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.2. Workers' Compensation. The City shall also maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in the State, or any act hereafter enacted as an amendment or supplement thereto (with provision for self-insurance).

Section 5.3. Casualty and Theft Insurance.

(a) Casualty and Theft Insurance; Coverage. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, insurance against loss or damage to any portion of the Property caused by fire and lightning, with extended coverage and theft, vandalism and malicious mischief insurance. Said extended coverage insurance shall, 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, excluding flood and earthquake.

(b) Amount. Such insurance shall be in an amount not less than the replacement cost of the Property, subject to a "deductible clause" not to exceed two hundred fifty thousand dollars (\$250,000) or such higher amount as is consented to by the Owner for any one loss. The term "full replacement value" as used in this Section 5.3 shall mean the actual replacement cost of the improvements constituting the Property.

(c) Joint or Self-Insurance. Such insurance may be maintained as part of or in conjunction with any other insurance carried or required to be carried by the City, and, subject to compliance with Section 5.6(e) hereof, may be maintained in the form of self-insurance by the City through a California joint powers authority.

(d) Payment of Net Proceeds. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in Section 6.1.

Section 5.4. Rental Interruption Insurance.

(a) Coverage and Amount. Throughout the Term of this Lease, the City shall maintain or cause to be maintained rental income or use and occupancy insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance required to be maintained as provided in Section 5.3 hereof. Such rental interruption insurance shall name the Trustee and the Authority as additionally insured parties.

(b) Joint Insurance. Such insurance may be maintained as part of or in conjunction with any other rental income or use and occupancy insurance carried by the City but may not be maintained in the form of self-insurance by the City.

(c) Payment of Net Proceeds. The Net Proceeds of such rental interruption insurance shall be paid to the Trustee and deposited in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Section 5.5. Title Insurance. The City shall obtain and, throughout the Term of this Lease, maintain or cause to be maintained title insurance on the Property, in the form of an ALTA title policy (with western regional exceptions) or a CLTA title policy, in an amount equal to the aggregate principal amount of the Certificates and Additional Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners, subject only to Permitted Encumbrances. Said policy or policies shall insure the City's leasehold estate hereunder in the Property, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in Section 7.01 of the Trust Agreement. So long as any of the Certificates and Additional Certificates remain Outstanding, each policy of the title insurance obtained pursuant hereto or required hereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners and the owners of any Additional Certificates. Such policy of title insurance, including the endorsements thereto, shall be in form and substance acceptable to the Owner. The Net Proceeds of such insurance shall be applied as provided in Section 6.1.

Section 5.6. General Insurance Provisions.

(a) Form of Policies. All policies of insurance required to be procured and maintained pursuant to this Lease and any statements of self-insurance shall be in a form certified by an insurance agent, broker or consultant to the City to comply with the provisions hereof. All such policies shall provide that the City shall give the Trustee thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. Each policy of insurance required to be procured and maintained pursuant to Section 5.3 (regarding casualty and theft insurance), Section 5.4 (regarding rental interruption insurance) and Section 5.5 (regarding title insurance) shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners.

(b) Payment of Premiums. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease, and shall promptly furnish or cause to be furnished to the Trustee a certificate to such effect, as described in paragraph (d) below.

(c) Protection of the Trustee. The Trustee shall not be responsible for the sufficiency or adequacy of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(d) Evidence of Insurance. The City shall cause to be delivered to the Trustee and the Owner annually on or before August 1 a certificate stating that the insurance policies required by this Lease are in full force and effect.

(e) Self Insurance. The City may only elect to self insure pursuant to Sections 5.1 and 5.2 hereof (the City may elect to self-insure for purposes of Section 5.3, but only to the extent of insurance provided by a California joint powers authority) if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Authority and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by other cities in the State other than the City. Insurance provided through a California joint powers authority of which the City is a member or with which the City contracts for insurance shall not be deemed to be self-insurance for purposes hereof where the insurance above the deductible limits described herein is provided by commercial carriers. Any self-insurance maintained by the City pursuant to this Article V, unless otherwise consented to by the Owner, shall comply with the following terms:

(i) The self-insurance program shall be approved in writing by the City's City Manager or Assistant City Manager in accordance with the California Labor Code and the California Government Code;

(ii) The self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an annual basis by the City's City Manager or Assistant City Manager; and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of the City's City Manager or Assistant City Manager; and

(iii) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by the City's City Manager or Assistant City Manager, shall be maintained.

Section 5.7. Cooperation. The Authority shall cooperate fully with the City at the expense of the City in filing any proof of loss with respect to any insurance policy maintained pursuant to this Article and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any portion thereof.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1. Application of Net Proceeds.

(a) Deposit in Net Proceeds Fund. The City shall remit promptly to the Trustee any Net Proceeds received by the City and the Trustee as provided in Section 5.3 (regarding casualty and theft insurance) and Section 5.5 (regarding title insurance) promptly upon receipt thereof, and pursuant to Section 7.01 of the Trust Agreement, the Trustee shall deposit such Net Proceeds of insurance in the Net Proceeds Fund. The City and/or the Authority shall transfer to the Trustee any other Net Proceeds (other than Net Proceeds paid under Sections 5.1, 5.2 and 5.4 hereof which shall be applied as described in such sections) received by the City and/or Authority in the event of any accident, destruction, theft or taking by eminent domain or condemnation with respect to the Project, for deposit in the Net Proceeds Fund.

(b) Disbursement for Replacement or Repair of the Property. Upon receipt of the prior written consent of the Owner and the certification described in paragraph (i) below and the

requisition described in paragraph (ii) below, the Trustee shall disburse moneys in the Net Proceeds Fund to the person, firm or corporation named in the requisition as provided in paragraph (ii) below.

(i) Certification. As a precondition to the disbursement of Net Proceeds, the City Representative must certify to the Authority and the Trustee within 45 days after the event causing the receipt of the Net Proceeds (or such later date as is consented to by the Owner) that:

(x) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the City to the Trustee in a subaccount of the Net Proceeds Fund for such purpose, are expected to equal at least 110% of the projected costs of replacement or repair (or such lesser percentage as may be consented to by the Owner), as demonstrated in an attached reconstruction budget, and

(y) Timely Completion. In the event that damage, destruction or taking results or is expected to result in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds, as described in Section 5.4 together with other identified available moneys, will be available to pay in full all Lease Payments coming due during such period as demonstrated in an attached reconstruction schedule.

(ii) Requisition. The City Representative must deliver to the Trustee a Requisition stating with respect to each payment to be made (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid and (4) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation.

Any balance of the Net Proceeds remaining after such replacement or repair has been completed and after payment or provision for payment of all Certificates as provided in Section 7.01 of the Trust Agreement shall be paid to the City after payment of amounts due the Trustee pursuant to Section 9.06 and 9.07 of the Trust Agreement.

(c) Disbursement for Prepayment. If the City Representative notifies the Trustee in writing of the City's determination that the certification provided in Section 6.1(b)(i) cannot be made or that replacement or repair of any portion of the Property is not economically feasible or in the best interest of the City, then the Trustee shall promptly transfer the Net Proceeds to the Prepayment Fund as provided in Section 7.01 of the Trust Agreement and apply them to prepayment of the Certificates as provided in Section 4.02 of the Trust Agreement and prepayment of Lease Payments as provided in Section 10.2 hereof; provided that in the event of damage or destruction in whole of the Property and in the event such Net Proceeds, together with funds then on hand in the Lease Payment Fund and Reserve Fund are not sufficient to prepay all the Certificates then Outstanding, then the City shall not be permitted to certify that repair, replacement or improvement of all of the Property is not economically feasible or in the best interest of the City. In such event, the City shall proceed to repair, replace or improve the Property as described herein from legally available funds in the then-current Fiscal Year and shall make the required notification to the Trustee pursuant to Section 7.01 of the Trust Agreement and the Trustee shall disburse moneys in the Net Proceeds Fund to the person, firm, or corporation named in the Requisition as provided therein.

ARTICLE VII

COVENANTS WITH RESPECT TO THE PROPERTY

Section 7.1. Use of the Property. The City represents and warrants that it has an immediate need for, and expects to make immediate use of, all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

Section 7.2. Interest in the Property and the Lease.

(a) Authority Holds Leasehold Interest During Term. During the Term of this Lease, the Authority does and shall hold a leasehold interest in the Property pursuant to the Site Lease. The City shall take any and all actions reasonably required, including but not limited to executing and filing any and all documents reasonably required, to maintain and evidence such title and interest at all times during the Term of this Lease.

(b) Title Transferred to the City at End of Term. Upon expiration of the Term as provided in Section 4.2(b) or 4.2(c) hereof, all right, title and interest of the Authority in and to all of the Property shall be transferred to and vest in the City, without the necessity of any additional document of transfer.

Section 7.3. Option to Purchase. The City may exercise an option to purchase the Authority's interest under the Site Lease and this Lease in the Property by depositing with the Trustee cash and/or Government Obligations as provided in Section 14.01 of the Trust Agreement. In such event, all or a portion of the obligations of the City under this Lease, and the security provided by this Lease for said obligations or said portion of the obligations, shall cease and terminate as provided in Section 4.2 hereof, excepting in the case all of the Authority's interest has been purchased, only the obligation of the City to make, or cause to be made, such Lease Payments from such deposit. In the event Lease Payments and Additional Payments under this Lease have been paid in full, on the date of said deposit, the Authority's interest in the Property shall revert and transfer to the City automatically and without further action by the City or the Authority, and the Authority shall execute and deliver such further instruments and take such further action as may reasonably be requested by the City for carrying out the reversion and transfer of the Authority's interests in the Property. In the event Lease Payments under this Lease have been paid in part only, on the date of said deposit, the City shall specify a discrete portion of the Authority's interest in the Property for reversion and transfer to the City and the Authority shall execute and deliver such further instruments and take such further action as may reasonably be requested by the City for carrying out the reversion and transfer of such portion of the Authority's interest in the Property; provided, that such portion shall revert and transfer to the City only if (i) the reduction in the fair rental value of the Property resulting from such reversion and transfer at the time of such reversion and transfer (as determined by an independent appraisal acceptable to the Authority and the Owner) is proportionately less than or equal to the reduction in the maximum annual Lease Payments under this Lease resulting from such purchase and (ii) the Owner shall have provided its written consent to such reversion and transfer. Any such deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with Section 4.4 hereof.

Section 7.4. Quiet Enjoyment. During the Term, the Authority shall provide the City with quiet use and enjoyment of the Property, and the City shall during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Authority, or any

person or entity claiming under or through the Authority except as expressly set forth in this Lease. The Authority will, at the request of the City, 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 shall have the right to inspect the Property as provided in Section 7.6 hereof.

Section 7.5. Installation of the 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 property in or upon any portion of the Property. All such items shall remain the sole property of the City, regardless of the manner in which the same may be affixed to such portion of the Property, in which neither the Authority nor the Trustee shall have any interest, and may be modified or removed by the City at any time; provided that the City shall repair and restore any and all damage to such portion of the Property resulting from the installation, modification or removal of any such items of equipment. Nothing in this Lease shall prevent the City from purchasing items to be installed pursuant to this Section, provided that no lien or security interest shall attach to any part of the Property.

Section 7.6. Access to the Property. The City agrees that the Authority, any Authority Representative and the Authority's successors, assigns or designees shall have the right at all reasonable times to enter upon the Property or any portion thereof to examine and inspect the Property. The City further agrees that the Authority, any such Authority Representative, and the Authority's successors, assigns or designees shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the City to perform its obligations hereunder.

Section 7.7. Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance; Repair and Replacement. Throughout the Term of this Lease, as part of the consideration for the rental of the Property, all repair and maintenance of the Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any sublessee thereof. In exchange for the Lease Payments herein provided, the Authority agrees to provide only the Property, as hereinbefore more specifically set forth. The City waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the City under the terms of this Lease.

(b) Tax and Assessments; Utility Charges. The City shall also pay or cause to be paid all taxes and assessments, including but not limited to utility charges, of any type or nature charged to the Authority or the City or levied, assessed or charged against any portion of the 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 be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due.

(c) Contests. 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; provided that prior to such nonpayment it shall furnish the Authority and the Trustee with the opinion of an Independent Counsel acceptable to the Authority, to

the effect that, by nonpayment of any such items, the interest of the Authority in such portion of the Property will not be materially endangered and that the Property will not be subject to loss or forfeiture. Otherwise, the City shall promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Authority. The Authority will cooperate fully in such contest, upon the request and at the expense of the City.

Section 7.8. Modification of the Property.

(a) Additions, Modifications and Improvements. The City shall, at its own expense, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. All such additions, modifications and improvements shall thereafter comprise part of the Property and be subject to the provisions of this Lease. Such additions, modifications and improvements shall not in any way damage any portion of the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates; and the Property, upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements.

(b) No Liens. Except for Permitted Encumbrances, the City will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications or improvements made by the City pursuant to this Section; provided that if any such lien is established and the City shall first notify or cause 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 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 Trustee (as assignee of the Authority). The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

(c) Replacements, Redevelopment and Renovation. The City shall, at its own expense, have the right to make replacements, redevelopment or renovation of all or a portion of the Property if the following conditions precedent are satisfied:

(i) The City receives an opinion of Special Counsel, a copy of which the City shall furnish to the Authority and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest with respect to the Certificates, and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the City;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Lease Payments as provided in Section 4.10 hereof the City shall have notified the Owner and any rating agency then providing a rating on the Certificates and shall deposit moneys with the Trustee in advance for payment of Lease Payments from special funds of the City or other moneys, the application of which would not, in the opinion of Special Counsel (a

copy of which shall have been delivered to the Trustee), result in such Lease Payments constituting indebtedness of the City in contravention of the Constitution and laws of the State;

(iii) The City shall certify to the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation; and

(iv) In the case of replacement or redevelopment, the City and the Trustee receive an independent appraisal from a California certified general appraiser that the annual fair rental value of the replacements will be at least equal to the annual fair rental value of the Property immediately prior to such replacement or redevelopment.

Section 7.9. Encumbrances; Alternative Financing Methods.

(a) Encumbrances. Except as provided in this Article VII (including without limitation Section 7.8 hereof and this Section 7.9), the City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, liens, charges, encumbrances or claims, as applicable, on or with respect to the Property, other than Permitted Encumbrances and other than the respective rights of the Authority and the City as herein provided. Except as expressly provided in this Article VII, the City shall 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, if the same shall arise at any time; provided that the City may contest such liens if it desires to do so. The City shall reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Alternative Financing Methods. Notwithstanding the foregoing, the City may create or suffer to create any mortgage, pledge, liens, charges, encumbrances or claims upon the Property or any improvements thereto, provided that (1) any such mortgage, pledge, liens, charges, encumbrances or claims shall at any time while any of the Certificates remain Outstanding be and remain subordinate in all respects to the Site Lease and Lease and any security interest given to the Trustee for the benefit of the Owners and (2) the City shall have first delivered to the Trustee an opinion of Special Counsel substantially to the effect that such mortgage, pledge, liens, charges, encumbrances or claims would not result in the inclusion of the interest with respect to the Certificates in the gross income of the owners of the Certificates for purposes of federal income taxation or impair the State tax-exempt status of such payments.

Section 7.10. Authority's Disclaimer of Warranties. THE AUTHORITY MAKES NO 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 PROPERTY, OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE CITY IS LEASING THE PROPERTY AS IS. In no event shall the Authority be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease, the Site Lease, the Assignment Agreement or the Trust Agreement for the existence, furnishing, functioning or the City's use and possession of the Property.

Section 7.11. The City's Right to Enforce Warranties of Vendors or Contractors. The Authority hereby irrevocably appoints the City, its agent and attorney-in-fact during the Term of this Lease, so long as the City shall not be in default hereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and

claims for breach of any representations, respecting the Property which the Authority may have against any vendor or contractor. The City's sole remedy for the breach of any such warranty, indemnification or representation shall be against the vendor or contractor with respect thereto, and not against the Authority, nor shall such matter have any effect whatsoever on the rights and obligations of the Authority with respect to this Lease, including the right to receive full and timely Lease Payments and all other payments due hereunder. The City shall be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Authority shall, upon the City's request and at the City's expense, do all things and take all such actions as the City may request in connection with the assertion of any such claims and rights.

Section 7.12. Substitution or Release of the Property.

(a) The City shall have the right to substitute alternate real property for any portion of the Property described in Exhibit B-1 or B-2 hereto or to release a portion of the Property from the lien of this Lease by providing the Trustee with a supplement to this Lease substantially in the form attached as Exhibit C hereto and by satisfying the conditions set forth in paragraphs (i) through (viii) of this Section 7.12. All costs and expenses incurred in connection with such substitution or release shall be borne by the City. Notwithstanding any substitution pursuant to this Section, there shall be no reduction in or abatement of the Lease Payments due from the City hereunder as a result of such substitution. No substitution or release shall be permitted hereunder unless:

(i) the City provides prior written notice thereof to the Owner together with a certificate that the substituted real property has an equivalent or greater useful life as the Property to be released and that the useful life of the substituted Property exceeds the remaining term of the Lease Payments hereunder;

(ii) an independent California Certified General or equivalent certified real estate appraiser selected by the City finds (and delivers a certificate to the City and the Trustee setting forth its findings) that the substituted real property has a fair rental value greater than or equal to the fair rental value of the Property to be released so that the Lease Payments payable by the City pursuant to the Lease will not be abated;

(iii) the City obtains or causes to be obtained an ALTA title insurance policy (with western regional exceptions) or a CLTA title insurance policy with respect to the substituted property, with an endorsement so as to be payable to the Trustee for the benefit of the Owners, showing no prior liens thereon other than Permitted Encumbrances. Such policy shall comply with Section 5.5 hereof, shall be in a form satisfactory to the Owner and the Authority, shall be in the amount equal to the principal component of Lease Payments attributable to the substituted property, and shall insure the leasehold interest or the fee simple interest of the Authority or the City, as applicable, to the substituted property;

(iv) the City provides the Authority and the Trustee with an opinion of Special Counsel that such substitution does not cause, in and of itself, the interest evidenced and represented by the Certificates to be included in gross income for federal income tax purposes;

(v) upon the substitution of any real property and improvements thereon for all or a portion of the Property then existing, the City, the Authority and the Trustee shall execute and the City shall record with the office of the County Recorder, County of San Diego, California,

any document necessary to reconvey to the City the portion of the Property being substituted and to include the substituted real property and/or improvements thereon as all or a portion of the Property;

(vi) the City shall certify to the Trustee and the Owner that the substituted property is of approximately the same degree of essentiality to the City as the portion of the Property being replaced; and

(vii) the Trustee shall receive the Owner's prior written consent to such substitution (which consent shall not be unreasonably withheld).

Section 7.13. Compliance with Law, Regulations, Etc.

The City has, after due inquiry, no knowledge and has not given or received any written notice indicating that the past or present use of the Property or any practice, procedure or policy employed by it in the conduct of its business materially violates any Environmental Regulations, applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property (collectively, "Laws and Regulations").

Section 7.14. Environmental Compliance.

(a) The City shall not use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property, including, but not limited to, operation of the police fueling facility, including the underground storage tank related thereto, and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other Property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of a municipal corporation and those used in the underground storage tanks relating to the police fueling facility, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the City shall promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released, on, from or beneath the Property or other Property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained herein, underground storage tanks are permitted so long as they comply with subsection (d).

(b) The City shall comply with, and shall cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and shall keep the Property free and clear of any liens imposed pursuant thereto; provided, however, that notwithstanding that a portion of this covenant is limited to the City's use of its best efforts, the City shall remain solely responsible for ensuring such compliance

and such limitation shall not diminish or affect in any way the City's obligations contained in subsection (c) hereof as provided in subsection (c) hereof. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the City shall give prompt written notice thereof to the Trustee prior to the expiration of any period in which to respond to such notice under any Environmental Regulation.

(c) Irrespective of whether any representation or warranty contained in Section 7.13 is not true or correct, the City shall, to the extent permitted by law, defend, indemnify and hold harmless the Trustee, the Owners, the Authority, their partners, depositors and each of their respective employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in this Section 7.14, consultants' fees, investigation and laboratory fees, liabilities, settlements (five Business Days' prior notice of which the Trustee shall have delivered to the City) court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury (including wrongful death) or Property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Business Days' prior notice of which the Trustee shall have delivered to the City), or governmental order relating to Hazardous Materials on, from or beneath the Property, (iv) any violation of Environmental Regulations or subsection (a) or (b) hereof by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the City is strictly liable under any Environmental Regulation, its obligation to the Owners and the other indemnitees under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The obligations and liabilities under this Section 7.14(c) shall survive the payment and satisfaction of all Certificates or resignation or removal of the Trustee.

(d) The City shall conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and shall maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

Section 7.15. Condemnation of Property. The City hereby covenants and agrees, to the extent it may lawfully do so, that, except as described in Section 6 of the Site Lease, so long as any of the Certificates remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City shall fail or refuse to abide by such covenant and condemns the Property, then the appraised value of the Property shall not be less than the greater of: (i) if the Certificates are then subject to optional prepayment, the principal and interest components of the Certificates outstanding through the date of their prepayment, or (ii) if the Certificates are not then subject to optional prepayment, the amount necessary to defease the Certificates to the first available prepayment date in accordance with the Trust Agreement.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1. Assignment by the Authority. Except as provided herein, in the Trust Agreement and the Assignment Agreement, the Authority will not assign this Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in Section 2.2 hereof.

Section 8.2. Assignment and Subleasing by the City.

(a) Assignment. This Lease may be assigned by the City, with the consent of the Owner (which consent shall not be unreasonably withheld), so long as such assignment does not, in the opinion of Special Counsel, adversely affect the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates or affect the validity of this Lease. In the event that this Lease is assigned by the City, the obligation to make Lease Payments hereunder shall remain the obligation of the City.

(b) Sublease. The City may sublease all or any portion of the Property, with the consent of the Trustee (as assignee of the Authority) and the Owner, subject to all of the following conditions:

(i) This Lease and the obligation of the City to make Lease Payments and Additional Payments hereunder shall remain obligations of the City; and

(ii) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority, the Trustee and the Owner a true and complete copy of such sublease;

(iii) No sublease by the City shall cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and

(iv) The City shall furnish to the Authority, the Trustee and the Owner, an opinion of Special Counsel to the effect that the sublease will not cause the interest due with respect to the Certificates to be subject to State personal income tax or adversely affect the exclusion from gross income for federal income tax purposes of such amounts.

Section 8.3. Amendments and Modifications. This Lease may be amended or any of its terms modified with the written consent of the Owner, the City and the Trustee (as assignee of the Authority), in accordance with Article X of the Trust Agreement.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be “events of default” under this Lease and the terms “events of default” and “default” shall mean, whenever they are used in this Lease, any one or more of the following events:

(a) Payment Default. Failure by the City to pay any Lease Payment required to be paid hereunder by the corresponding Lease Payment Date; and

(b) Covenant Default. Failure by the City to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed herein or otherwise with respect hereto or in the Trust Agreement or in the Site Lease, other than as referred to in clause (a) of this Section, 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, the Owner, the Trustee, or the Owners of not less than twenty percent (20%) in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority, the Owner or such Owners, as the case may be, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected, except that such grace period shall not exceed 60 days without the prior written consent of the Owner.

(c) Bankruptcy or Insolvency. The filing by the City of a case in bankruptcy, or the subjection of any right or interest of the City under this Lease to 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 act which may hereafter be enacted.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to this Lease. Notwithstanding anything herein or in the Trust Agreement to the contrary, THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. After the occurrence of an event of default hereunder, the City will surrender possession of the Property to the Authority, if requested to do so by the Authority, the Trustee or the Owners, in accordance with the provisions of the Trust Agreement. So long as the Owner is not in default under the Insurance Policy, the Owner shall control all remedies upon an event of default hereunder. The Owners' direction of remedies upon default are subject to the prior written consent of the Owner. The Owner, acting alone, shall have the right to direct all remedies upon an event of default.

(a) No Termination; Repossession and Re-Lease on Behalf of The City. In the event the Authority does not elect to terminate this Lease in the manner hereinafter provided for in subparagraph (b) hereof, the Authority may, with the consent of the City, which consent is hereby irrevocably given, repossess the Property and re-lease it for the account of the City, in which event the City's obligation will accrue from year to year in accordance with this Lease and the City will continue to receive the value of the use of the Property from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the City shall remain the same as prior to such default, to pay Lease Payments and Additional Payments whether the Authority re-enters or not. The City agrees to and shall remain liable for the payment of all Lease Payments and Additional Payments and the performance of all conditions contained herein and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Property, or, in the event the Authority is unable to re-lease the Property, then for the full amount of all Lease Payments and

Additional Payments to the end of the Term of this Lease, but said Lease Payments and Additional Payments and/or deficiency shall be payable only at the same time and in the same manner as provided above for the payment of Lease Payments and Additional Payments hereunder, notwithstanding such repossession by the Authority or any suit brought by the Authority for the purpose of effecting such repossession of the 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 repossess and re-lease the Property in the event of default by the City in the performance of any covenants contained herein to be performed by the City and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in the County of San Diego, 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 repossession and re-leasing of the Property. The City hereby waives any and all claims for damage caused or which may be caused by the Authority in repossessing the Property as provided herein and all claims for damages that may result from the destruction of or the injury to the Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Property.

The City agrees that the terms of this Lease constitute full and sufficient notice of the right of the Authority to re-lease the Property in the event of such repossession 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 provided for in subparagraph (b) below.

The City shall retain the portion of rental obtained by the Trustee, as assignee of the Authority, that is in excess of the Lease Payments and Additional Payments, the fees, expenses and costs of the Trustee of re-leasing the Property, and all amounts payable by the City under this Lease and the Trust Agreement.

In the event that the liability of the City under this subsection (a) is held to constitute indebtedness or liability in any year exceeding in any year the income and revenue provided for such year, the Authority, or the Trustee or the Owners, as assignees of the Authority, shall not exercise the remedies provided in this subsection (a).

(b) Termination; Repossession and Re-Lease. In the event of the termination of this Lease by the Authority at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any repossession of the Property by the Authority in any manner whatsoever or the re-leasing of the Property), the City nevertheless agrees to pay to the Authority all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided herein in the case of payment of Lease Payments and Additional Payments. Any proceeds of the re-lease or other disposition of the Property by the Authority shall be deposited into the Lease Payment Fund and be applied in accordance with the provisions of Section 5.04 of the Trust Agreement. Any surplus received by the Trustee, as assignee of the Authority, from such re-leasing over total Lease Payments shall be remitted to the City. Additional Payments that would have been due hereunder and the fees, expenses and costs of the Trustee as assignee of the Authority on re-leasing the Property shall be remitted to the City. Neither notice to pay rent or to deliver up

possession of the Property given pursuant to law nor any proceeding taken by the Authority to recover possession of the Property 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 Property for 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. No such termination shall be effected either by operation of law or act of the parties hereto, except only in the manner herein expressly provided.

(c) Opinion of Special Counsel. The re-leasing of the Property as provided herein shall be subject to the opinion of Special Counsel that such re-leasing will not cause the interest with respect to the Certificates to be subject to State personal income tax or adversely affect the exclusion from gross income for federal income tax purposes of such amounts.

(d) No Termination by The City. Under no circumstances may the City terminate this Lease as a remedy for a default by the Authority in the performance of any obligation of the Authority hereunder.

Section 9.3. No Remedy Exclusive. No remedy conferred herein upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be 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 any default shall impair any such right or power or shall be construed to be 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 it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained herein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party; such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6. Application of the Proceeds from the Re-Lease of the Property. All amounts received by the Authority under this Article IX shall, subject to Section 13.03 of the Trust Agreement, be deposited by the Trustee in the Lease Payment Fund and credited towards the Lease Payments in order of Lease Payment Dates.

Section 9.7. Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article IX have been assigned by the Authority to the Trustee under the Assignment Agreement, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners as provided in the Trust Agreement.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1. Security Deposit. Notwithstanding any other provision of this Lease, the City may, on any date, secure the payment of Lease Payments and Additional Payments by a deposit by it with the Trustee of cash and/or Government Obligations as provided in Section 14.01 of the Trust Agreement. In such event, and provided that the City has paid any other amounts due and owing under this Lease and the Trust Agreement, all obligations of the City under this Lease, and all security provided by this Lease for said obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, Lease Payments and Additional Payments from such deposit. On the date of said deposit title to the Property shall vest in the City automatically and without further action by the City or the Authority (except as provided herein). Said deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease. The Authority shall execute and deliver such further instruments and take such further action as may reasonably be requested by the City for carrying out the title transfer of the Property.

Section 10.2. Extraordinary Prepayment. The City shall be obligated to prepay the Lease Payments in whole or in part on any date, from and to the extent of any Net Proceeds or other moneys theretofore deposited in the Prepayment Fund (at least 45 days prior to the date fixed for prepayment of the Certificates) pursuant to Section 4.02 of the Trust Agreement. The City and the Authority hereby agree that such Net Proceeds or other moneys shall be credited towards the City's obligations hereunder (except in the case of such Prepayment of the Lease Payments in whole) pro rata among Lease Payments so that following Prepayment, the remaining annual Lease Payments will be proportional to the initial annual Lease Payments.

Section 10.3. Optional Prepayment. Subject to the terms and conditions of this Section, the Authority hereby grants an option to the City to prepay all or a portion of the Lease Payments to the extent and on the dates at the prepayment prices set forth in Section 4.03 of the Trust Agreement. The City and the Authority agree that such prepayments shall be credited toward the City's obligations hereunder corresponding to the resulting prepayment of the Certificates and Additional Certificates in accordance with Section 4.03 of the Trust Agreement on the dates and at the prepayment prices provided therein.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received on the earlier of the day of actual receipt or five Business Days after deposit in the United States mail in first-class or certified form, postage prepaid, to the City or the Authority, as the case may be, at the addresses indicated in Section 14.05 of the Trust Agreement. The Authority, the City, and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

Section 11.3. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.4. Execution in Counterparts. This Lease may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.5. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

Section 11.6. Owner as Third-Party Beneficiary. The Owner is a third-party beneficiary of this Lease.

IN WITNESS WHEREOF, the Authority has caused this Lease to be executed in its name by its duly authorized officer, and the City has caused this Lease to be executed in its name by its duly authorized officer, as of the date first above written.

OCEANSIDE PUBLIC FINANCING AUTHORITY,
as Authority

By: _____
Its: Executive Director

ATTEST:

Secretary

CITY OF OCEANSIDE,
as Lessee

By: _____
Its: City Manager

ATTEST:

City Clerk

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in the Property conveyed under the foregoing to the City of Oceanside, a municipal corporation and a chartered city duly organized under the laws of the State of California, is hereby accepted by the undersigned officer or agent on behalf of the City Council of the City of Oceanside, pursuant to authority conferred by resolution of the said City Council adopted on _____, 20__ and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

CITY OF OCEANSIDE

By: _____
Its: City Manager

EXHIBIT A
SCHEDULE OF LEASE PAYMENTS

| <i>Date</i> | <i>Principal</i> | <i>Interest</i> | <i>Payment</i> |
|-------------|------------------|-----------------|----------------|
|-------------|------------------|-----------------|----------------|

EXHIBIT B-1

FEE PROPERTY

PARCEL "B"

LOT 4 OF MISSION PLAZA REAL, IN THE CITY OF OCEANSIDE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 11653, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, NOVEMBER 17, 1986. TOGETHER WITH THAT PORTION OF LOT 5 OF SAID MAP NO. 11653 DESCRIBED AS FOLLOWS:

BEGINNING AT AN ANGLE POINT ON THE COMMON LINE BETWEEN SAID LOTS 4 AND 5 THAT BEARS S 22° 25' 31" E 184.43 FEET (RECORD S 22° 26' 18" E 184.45 FEET) FROM THE MOST WESTERLY CORNER OF SAID LOT 4; THENCE NORTHEASTERLY ALONG SAID COMMON LINE N 67° 34' 29" E (RECORD N 67° 33' 42" E) 2.63 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG SAID COMMON LINE N 67° 34' 29" E (RECORD N 67° 33' 42" E) 235.31 FEET TO AN ANGLE POINT; THENCE N 22° 25' 31" W (RECORD N 22° 26' 18" W) 12.13 FEET TO AN ANGLE POINT; THENCE N 67° 24' 29" E (RECORD N 67° 33' 42" E) 44.08 FEET TO AN ANGLE POINT; THENCE S 22° 25' 31" E 136.02' (RECORD S 22° 26' 18" E 136.00 FEET) TO AN ANGLE POINT; THENCE S 67° 34' 29" W (RECORD S 22° 26' 18" E 82.54 FEET) TO AN ANGLE POINT ON SAID COMMON LINE, BEING A POINT ON A CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 8112.00 FEET, A RADIAL TO SAID POINT BEARS N 24° 46' 12" W; THENCE ALONG THE SOUTHWESTERLY PROLONGATION OF THE SOUTHERLY LINE OF SAID LOT 4 ALONG SAID CURVE 274.66 FEET THROUGH A CENTRAL ANGLE OF 01° 56' 24"; THENCE NORTH N 22° 28' 36" W 32.33 FEET; THENCE N 67° 31' 24" E 5.00 FEET; THENCE N 22° 28' 36" W 189.96 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING FROM SAID LOT 4 THAT PORTION DESCRIBED AS FOLLOWS: BEGINNING AT THE MOST WESTERLY CORNER OF SAID LOT 4, BEING A POINT ON A CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 920.00 FEET, A RADIAL FROM SAID POINT BEARS S 28° 20' 40" E, THENCE NORTHEASTERLY ALONG SAID CURVE 57.66 FEET THROUGH A CENTRAL ANGLE OF 03° 35' 28"; THENCE PARALLEL WITH THE MOST WESTERLY LINE OF SAID LOT 4 S 22° 25' 31" E (RECORD S 22° 26' 18" E) 136.42 FEET; THENCE S 18° 50' 34" E 30.10 FEET; THENCE PARALLEL WITH SAID WESTERLY LINE OF SAID LOT 4; THENCE ALONG SAID SOUTHERLY LINE S 67° 34' 29" W (RECORD S 67° 33' 42" W) 55.62 FEET TO THE MOST WESTERLY SOUTHWEST CORNER OF SAID LOT 4; THENCE ALONG THE MOST WESTERLY LINE OF SAID LOT 4 N 22° 25' 31" W 184.43 FEET (RECORD N 22° 26' 18" W 184.45 FEET) TO THE POINT OF BEGINNING.

CONTAINS 4.707 ACRES

EXHIBIT B-2

LIBRARY LEASE PROPERTY

PARCEL "A"

THAT PORTION OF LOT 5 OF MISSION PLAZA REAL, IN THE CITY OF OCEANSIDE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 11653, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY NOVEMBER 17, 1986, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE MOST EASTERLY LINE OF LOT 4 OF SAID MAP NO. 11653 WHICH BEARS S 22° 26' 18" E 177.20 FEET FROM THE NORTHEAST CORNER OF SAID LOT 4, SAID POINT BEING A ANGLE POINT FOR LOTS 4 & 5 OF SAID MAP; THENCE ALONG THE LINE COMMON TO SAID LOTS 4 & 5 S 67° 33' 42" W 67.99 FEET TO A ANGLE POINT OF SAID LOTS 4 & 5; THENCE CONTINUING ALONG SAID COMMON LINE S 22° 26' 18" E 13.97 FEET; THENCE N 22° 26' 18" W 1.06 FEET; THENCE N 67° 33' 42" E W 1.08 FEET; THENCE S 22° 26' 18" E 20.95 FEET; THENCE S 67° 33' 42" W 30.23 FEET TO THE LINE COMMON TO SAID LOTS 4 & 5; THENCE ALONG SAID COMMON LINE N 22° 26' 18" W 35.00 FEET TO THE TRUE POINT OF BEGINNING.

CONTAINS 1089.16 SQUARE FEET

AND ALL IMPROVEMENTS THEREON AS SAID IMPROVEMENTS ARE GENERALLY SHOWN ON THE CROSSHATCHED AREAS ON EXHIBITS A-2a AND A-2b ATTACHED HERETO.

EXHIBIT C

LEASE SUPPLEMENT FORM

There is hereby subjected to the terms of that certain Lease/Purchase Agreement, dated as of May 1, 2011, by and between the Oceanside Public Financing Authority and the City of Oceanside (the "City") the following items which shall comprise a portion of the Property, as defined therein:

Description of Substituted Property

[Insert Description]

Cost

I, the City Representative, hereby certify that:

- (1) the fair rental value (based on the attached appraisal by an independent real estate appraiser) and the useful life of the above-described portion of the Property at least equals the fair rental value and the useful life of the portion of the Property for which it was substituted;
- (2) the above-described portion of the Property will be used by the City for authorized public purposes and can be leased under the provisions of the Lease and the Government Code;
- (3) the above-described portion of the Property is currently owned by the City; and
- (4) the above-described portion of the Property is of approximately the same degree of essentiality to the City as the portion of the Property being replaced.

I, the City Representative, hereby certify that the portion of the Property being substituted is free and clear of all liens or claims of others, except for Permitted Encumbrances referred to in the Lease.

CITY OF OCEANSIDE

By: [signature] _____

City Representative

STATE OF CALIFORNIA

)

COUNTY OF SAN DIEGO

)

ss

)

On _____, 2011 before me, the undersigned, personally appeared _____, personally known to me to be the person whose names is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

[SEAL]

WITNESS my hand and official seal

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

)
) ss
)

On _____, 2011 before me, the undersigned, personally appeared _____, personally known to me to be the person whose names is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

[SEAL]

WITNESS my hand and official seal

RECORDING REQUESTED BY:
CITY OF OCEANSIDE

WHEN RECORDED MAIL TO:
Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attn: Robert J. Whalen

[Space above for Recorder's use.]

This document is recorded for the benefit of the City of
Oceanside and recording is fee-exempt under § 27383 of
the Government Code.

SITE LEASE

by and between the

CITY OF OCEANSIDE

and the

OCEANSIDE PUBLIC FINANCING AUTHORITY

Dated as of May 1, 2011

\$ _____
CITY OF OCEANSIDE
2011 CERTIFICATES OF PARTICIPATION
(1998 POLICE AND LIBRARY FACILITIES REFUNDING)

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SITE LEASE

This SITE LEASE, dated as of May 1, 2011, by and between the CITY OF OCEANSIDE, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the OCEANSIDE PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the Authority has agreed to enter into this Site Lease (the "Site Lease") with the City wherein the City will lease the real property and improvements thereto described in Exhibit A hereto (the "Property") to the Authority; and

WHEREAS, the Authority intends to lease back to the City the Property pursuant to a Lease/Purchase Agreement to be executed and entered into as of the date hereof (the "Lease"); and

WHEREAS, by resolutions the City and the Authority have agreed to execute this Site Lease, and to deliver it upon performance and compliance by each party with all terms or conditions of this contract to be performed concurrently herewith, including, without limitation, the delivery of the City of Oceanside 2011 Certificates of Participation, (1998 Police and Library Facilities Refunding) (the "Certificates") executed and delivered pursuant to a Trust Agreement, dated as of the date hereof (the "Trust Agreement"), by and among the City, the Authority, and Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Site Lease.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Definitions. All terms not otherwise defined herein shall have the definitions given such terms in the Trust Agreement.

Section 2. The Property. The City hereby leases to the Authority and the Authority hereby leases from the City, on the terms and conditions hereinafter set forth, the Property; provided that the Lease is duly executed and delivered by the parties hereto simultaneously herewith.

Section 3. Term. The term of this Site Lease shall commence as of the date of execution hereof and shall remain in effect until the later of December 31, 2022 or the Term, as defined in the Lease, expires as provided therein, unless such term is sooner terminated as hereinafter provided; provided, however, that in the event of a default by the City under the Lease and the Authority's election to terminate the Lease under Section 9.2(b) thereof, the term of this Site Lease shall not

terminate until such time as all amounts payable by the City under the Lease and the Trust Agreement have been paid in full.

Section 4. Rental. The Authority, and any assignee or successor in interest of the Authority under this Site Lease, shall pay to the City, from proceeds of sale of the Certificates, the sum of \$_____ as prepayment of rental hereunder.

Section 5. Purpose. The Authority shall use the Property solely for the purpose of leasing back such Property to the City or others pursuant to the Lease and for such purposes as may be incidental thereto; provided, that in the event of default by the City under the Lease or termination pursuant thereto, the Authority may exercise the remedies of repossession of the Property, as provided in the Lease.

Section 6. Interest in Property. The City warrants and covenants that it has sufficient interest in the Property to lease it hereunder. In the event of a title defect in the Property that impairs the right to use and occupy the Property, the City covenants that it will exercise its power, including but not limited to, its condemnation powers to the extent permitted by law, to obtain the necessary rights in the Property and to cure such defect and limitation of the right to use and occupancy.

Section 7. Assignments and Subleases. The City acknowledges and affirms the assignment by the Authority of its rights under this Site Lease to the Trustee, under the terms of the Assignment Agreement dated as of the date hereof, for the benefit of the Owners of the Certificates. This Site Lease may also be assigned and the Property subleased, as a whole or in part, by the Authority without necessity of obtaining the consent of the City, if any event of default occurs under the Lease.

Section 8. Termination. The Authority agrees, upon the termination of this Site Lease, to quit and surrender the Property in the same good order and condition as the same was in at the time of commencement of the term hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements and structures existing upon the Property at the time of the termination of this Site Lease shall remain thereon and title thereto shall vest in the City.

Upon the exercise by the City of its option to purchase a portion of the Property, as set forth in Section 7.3 of the Lease and upon payment therefor, a corresponding portion of the Property may be released from this Site Lease.

Upon payment by the City of all Lease Payments and all Additional Payments, as defined in the Lease, due during the term of the Lease, as provided for in Article IV thereof, the term of this Site Lease shall terminate.

Under no circumstances may the City terminate this Site Lease as a remedy for a default by the Authority in the performance of any obligation of the Authority hereunder.

Section 9. 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 Property.

Section 10. Default. In the event the Authority shall be in default 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 written notice and demand for correction thereto by the City, the City may

exercise any and all remedies granted by law; provided, however, that no merger of this Site Lease and the Lease shall be deemed to occur as a result thereof and, so long as any Certificates are outstanding, the Site Lease shall not be terminated except as provided in Section 8 hereof.

Section 11. Taxes. Subject to the provisions of Section 7.7 of the Lease, 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 Property.

Section 12. Eminent Domain. In the event the whole or any part of the Property is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of unpaid Lease Payments and all Additional Payments due the Authority under the Lease.

Section 13. 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 14. Applicable Law. This Site Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 15. Representatives. Whenever under the provisions of this Site 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 City by the City Manager or the Director of Administrative Services, as representative, and for the Authority by its Executive Director, Secretary, Assistant Secretary or Treasurer, as representative, or his or her written designee as representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 16. Captions. The captions or headings in this Site Lease are for convenience only and in no way define, limit or describe the scope of intent of any provision or Section of this Site Lease.

Section 17. Execution in Counterparts. This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

Section 18. Amendments. This Site Lease may be amended in writing as may be mutually agreed by the City and the Authority; provided, however, that if Certificates have been executed and delivered no such amendment which materially adversely affects the rights of the Owners of the Certificates shall be effective unless it shall have been consented to by the Trustee and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding.

Section 19. Incorporation. This Site Lease is hereby made a part of the Lease and shall be subject to all the terms and conditions of the Lease.

Section 20. Warranties of the City as to the Property. The City covenants and warrants to the Authority:

(a) That except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the financing as contemplated by the Lease;

(b) That all taxes, assessments, or impositions of any kind with respect to the Property, except current taxes, have been paid in full;

(c) That the Property is necessary to the City in order for the City to perform its governmental functions; and

(d) That the Property is properly zoned for its intended purposes.

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

PARCEL "A"

THAT PORTION OF LOT 5 OF MISSION PLAZA REAL, IN THE CITY OF OCEANSIDE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 11653, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY NOVEMBER 17, 1986, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE MOST EASTERLY LINE OF LOT 4 OF SAID MAP NO. 11653 WHICH BEARS S 22° 26' 18" E 177.20 FEET FROM THE NORTHEAST CORNER OF SAID LOT 4, SAID POINT BEING AN ANGLE POINT FOR LOTS 4 & 5 OF SAID MAP; THENCE ALONG THE LINE COMMON TO SAID LOTS 4 & 5 S 67° 33' 42" W 67.99 FEET TO AN ANGLE POINT OF SAID LOTS 4 & 5; THENCE CONTINUING ALONG SAID COMMON LINE S 22° 26' 18" E 13.97 FEET; THENCE N 22° 26' 18" W 1.06 FEET; THENCE N 67° 33' 42" E W 1.08 FEET; THENCE S 22° 26' 18" E 20.95 FEET; THENCE S 67° 33' 42" W 30.23 FEET TO THE LINE COMMON TO SAID LOTS 4 & 5; THENCE ALONG SAID COMMON LINE N 22° 26' 18" W 35.00 FEET TO THE TRUE POINT OF BEGINNING.

CONTAINS 1089.16 SQUARE FEET

AND ALL IMPROVEMENTS THEREON AS SAID IMPROVEMENTS ARE GENERALLY SHOWN ON THE CROSSHATCHED AREAS ON EXHIBITS A-2a AND A-2b ATTACHED HERETO.

PARCEL "B"

LOT 4 OF MISSION PLAZA REAL, IN THE CITY OF OCEANSIDE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 11653, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, NOVEMBER 17, 1986. TOGETHER WITH THAT PORTION OF LOT 5 OF SAID MAP NO. 11653 DESCRIBED AS FOLLOWS:

BEGINNING AT AN ANGLE POINT ON THE COMMON LINE BETWEEN SAID LOTS 4 AND 5 THAT BEARS S 22° 25' 31" E 184.43 FEET (RECORD S 22° 26' 18" E 184.45 FEET) FROM THE MOST WESTERLY CORNER OF SAID LOT 4; THENCE NORTHEASTERLY ALONG SAID COMMON LINE N 67° 34' 29" E (RECORD N 67° 33' 42" E) 2.63 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG SAID COMMON LINE N 67° 34' 29" E (RECORD N 67° 33' 42" E) 235.31 FEET TO AN ANGLE POINT; THENCE N 22° 25' 31" W (RECORD N 22° 26' 18" W) 12.13 FEET TO AN ANGLE POINT; THENCE N 67° 24' 29" E (RECORD N 67° 33' 42" E) 44.08 FEET TO AN ANGLE POINT; THENCE S 22° 25' 31" E 136.02' (RECORD S 22° 26' 18" E 136.00 FEET) TO AN ANGLE POINT; THENCE S 67° 34' 29" W (RECORD S 22° 26' 18" E 82.54 FEET) TO AN ANGLE POINT ON SAID COMMON LINE, BEING A POINT ON A CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 8112.00 FEET, A RADIAL TO SAID POINT BEARS N 24° 46' 12" W; THENCE ALONG THE

SOUTHWESTERLY PROLONGATION OF THE SOUTHERLY LINE OF SAID LOT 4 ALONG SAID CURVE 274.66 FEET THROUGH A CENTRAL ANGLE OF 01° 56' 24"; THENCE NORTH N 22° 28' 36" W 32.33 FEET; THENCE N 67° 31' 24" E 5.00 FEET; THENCE N 22° 28' 36" W 189.96 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING FROM SAID LOT 4 THAT PORTION DESCRIBED AS FOLLOWS: BEGINNING AT THE MOST WESTERLY CORNER OF SAID LOT 4, BEING A POINT ON A CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 920.00 FEET, A RADIAL FROM SAID POINT BEARS S 28° 20' 40" E, THENCE NORTHEASTERLY ALONG SAID CURVE 57.66 FEET THROUGH A CENTRAL ANGLE OF 03° 35' 28"; THENCE PARALLEL WITH THE MOST WESTERLY LINE OF SAID LOT 4 S 22° 25' 31" E (RECORD S 22° 26' 18" E) 136.42 FEET; THENCE S 18° 50' 34" E 30.10 FEET; THENCE PARALLEL WITH SAID WESTERLY LINE OF SAID LOT 4; THENCE ALONG SAID SOUTHERLY LINE S 67° 34' 29" W (RECORD S 67° 33' 42" W) 55.62 FEET TO THE MOST WESTERLY SOUTHWEST CORNER OF SAID LOT 4; THENCE ALONG THE MOST WESTERLY LINE OF SAID LOT 4 N 22° 25' 31" W 184.43 FEET (RECORD N 22° 26' 18" W 184.45 FEET) TO THE POINT OF BEGINNING.

CONTAINS 4.707 ACRES

RECORDING REQUESTED BY:)
 CITY OF OCEANSIDE)
)
WHEN RECORDED MAIL TO:)
 Stradling Yocca Carlson & Rauth)
 660 Newport Center Drive, Suite 1600)
 Newport Beach, California 92660)
 Attn: Robert J. Whalen)

[Space above for Recorder's use.]

This document is recorded for the benefit of the City of Oceanside and recording is fee-exempt under §27383 of the Government Code.

ASSIGNMENT AGREEMENT

by and between the

OCEANSIDE PUBLIC FINANCING AUTHORITY

and

BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Trustee

Dated as of May 1, 2011

\$ _____
CITY OF OCEANSIDE
2011 CERTIFICATES OF PARTICIPATION
(1998 POLICE AND LIBRARY FACILITIES REFUNDING)

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT, dated as of May 1, 2011, by the OCEANSIDE PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and accepted by BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a banking corporation duly organized and existing under and by virtue of the laws of the State of California, as trustee under the Trust Agreement (defined below) (the "Trustee");

WITNESSETH:

WHEREAS, the Authority and the City of Oceanside, a municipal corporation and a chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), have executed and entered into a Site Lease (the "Site Lease") and a Lease/Purchase Agreement (the "Lease"), each dated as of the date hereof and recorded concurrently herewith, whereby respectively, the City has agreed to lease certain real property and improvements thereon of the City described in Exhibit A to the Site Lease and in Exhibit A hereto (the "Property") to the Authority and the Authority has agreed to lease back such Property to the City, as provided therein; and

WHEREAS, under and pursuant to the Lease, the City is obligated to make Lease Payments, as defined therein, to the Authority for the lease of the Property ; and

WHEREAS, the Authority desires to assign absolutely without recourse all its rights to receive the Lease Payments scheduled to be paid by the City under and pursuant to the Lease to the Trustee and certain of its other rights, title and interest under the Lease as described herein; and

WHEREAS, the Authority desires to assign absolutely without recourse all of its rights to, under and pursuant to the Site Lease to the Trustee, and certain of its rights to, under and pursuant to the Lease to the Trustee; and

WHEREAS, in consideration of such absolute assignment and the execution and entering into of a Trust Agreement (the "Trust Agreement") to be executed and entered into as of the date hereof, by and among the Trustee, the Authority and the City, the Trustee has agreed to execute and deliver certificates of participation designated City of Oceanside 2011 Certificates of Participation (1998 Police and Library Facilities Refunding) (the "Certificates") in an aggregate principal amount equal to the aggregate principal components of such Lease Payments; and

WHEREAS, each party has determined that all acts conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with its execution and entering into of this Assignment Agreement (the "Assignment Agreement") do exist, have happened and have been performed in regular and due time, form and manner as required by law and it is now duly authorized to execute and enter into the Assignment Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Assignment.

(a) Site Lease. The Authority hereby transfers, assigns, absolutely and sets over to the Trustee, for the benefit of the Owners (as defined in the Trust Agreement) of the Certificates executed and delivered under the Trust Agreement, all of the Authority's rights, title, and interest under the Site Lease.

(b) Lease. The Authority hereby transfers, assigns, absolutely and sets over to the Trustee, for the benefit of the owners of the Certificates executed and delivered under the Trust Agreement, all of the Authority's rights, title and interest under the Lease (excepting only the Authority's rights under Sections 2.1(e), 4.11, 7.14 and 9.4 of the Lease), including, without limitation, (1) the right to receive and collect all of the Lease Payments, Prepayments and Additional Payments (except to the extent payable to the Authority) (as such terms are defined in the Trust Agreement) from the City under the Lease or the Trust Agreement, as applicable, (2) the right to receive and collect any proceeds of any insurance maintained thereunder, or any condemnation award rendered with respect to the Property, or of any lease of the Property in the event of a default by the City under the Lease, (3) the right to take all actions and give all consents under the Lease, including without limitation, Section 7.8(b) (regarding liens), 8.2(b) (regarding subleases), Section 8.3 (regarding amendments of the Lease) and Section 9.2 (regarding defaults), (4) the right to exercise such rights and remedies conferred on the Authority pursuant to the Lease as may be necessary or convenient (i) to enforce payment of the Lease Payments, Prepayments and Additional Payments and any other amounts required to be deposited in the Lease Payment Fund, the Prepayment Fund, the Reserve Fund or the Net Proceeds Fund established under the Trust Agreement, or (ii) otherwise to protect the interests of the Authority in the event of a default by the City under the Lease, and (5) the right of the Authority to receive rental in excess of Lease Payments as compensation for re-leasing the Property upon events of default under the Lease, as provided in Section 9.2(a) and (b) of the Lease.

(c) Assignment for Owners of Certificates. All rights assigned by the Authority shall be administered by the Trustee as assignee thereof according to the provisions of the Trust Agreement and for the equal and proportionate benefits of the Owners of the Certificates.

Section 2. Acceptance. The Trustee hereby accepts the foregoing assignment for the benefit of the Owners of the Certificates, subject to the conditions and terms of the Trust Agreement, and all such Lease Payments shall be applied and all such rights so assigned shall be exercised by the Trustee under and pursuant to the Trust Agreement.

Section 3. Conditions. The Assignment Agreement shall confer no rights and shall impose no obligations upon the Trustee beyond those expressly provided in the Trust Agreement. The Trustee does not warrant the accuracy of the recitals hereto. The Trustee shall not be responsible for any representations, covenants or warranties of the Authority. The assignment hereunder is to the Trustee solely in its capacity as Trustee under the Trust

Agreement and not in its individual or personal capacity. The Trustee is not responsible for any representations, warranties or covenants made by the assignor under the Lease or the Site Lease.

Section 4. No Other Claim. The Authority hereby represents and warrants that there are no present and outstanding claims on Lease Payments or any other moneys assigned by the Authority to the Trustee hereunder.

Section 5. Counterparts. This Assignment Agreement may be executed in any number of 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 executed and entered into the Assignment Agreement by their officers thereunto duly authorized as of the day and year first above written.

OCEANSIDE PUBLIC FINANCING
AUTHORITY

By: _____
Its: Executive Director

Attest:

Secretary

Accepted by:

BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Its: Authorized Officer

EXHIBIT A

DESCRIPTION OF THE PROPERTY

PARCEL "A"

THAT PORTION OF LOT 5 OF MISSION PLAZA REAL, IN THE CITY OF OCEANSIDE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 11653, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY NOVEMBER 17, 1986, DESCRIBED AS FOLLOWS:

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CONTAINS 1089.16 SQUARE FEET

AND ALL IMPROVEMENTS THEREON AS SAID IMPROVEMENTS ARE GENERALLY SHOWN ON THE CROSSHATCHED AREAS ON EXHIBITS A-2a AND A-2b ATTACHED HERETO.

PARCEL "B"

LOT 4 OF MISSION PLAZA REAL, IN THE CITY OF OCEANSIDE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 11653, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, NOVEMBER 17, 1986. TOGETHER WITH THAT PORTION OF LOT 5 OF SAID MAP NO. 11653 DESCRIBED AS FOLLOWS:

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CONTAINS 4.707 ACRES

STATE OF CALIFORNIA

)

) ss

COUNTY OF SAN DIEGO

)

On _____, 2011 before me, the undersigned, personally appeared _____, personally known to me to be the person whose names is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

[SEAL]

WITNESS my hand and official seal

STATE OF CALIFORNIA

)

) ss

COUNTY OF LOS ANGELES

)

On _____, 2011 before me, the undersigned, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

[SEAL]

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA

)

) ss

COUNTY OF SAN DIEGO

)

On _____, 2011 before me, the undersigned, personally appeared _____, personally known to me to be the person whose names is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

[SEAL]

WITNESS my hand and official seal

Signature of Notary

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

)
) ss
)

On _____, 2011 before me, the undersigned, personally appeared _____, personally known to me to be the person whose names is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

[SEAL]

WITNESS my hand and official seal

Signature of Notary

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

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CONTAINS 1089.16 SQUARE FEET

AND ALL IMPROVEMENTS THEREON AS SAID IMPROVEMENTS ARE GENERALLY SHOWN ON THE CROSSHATCHED AREAS ON EXHIBITS A-2a AND A-2b ATTACHED HERETO.

PARCEL "B"

LOT 4 OF MISSION PLAZA REAL, IN THE CITY OF OCEANSIDE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 11653; FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, NOVEMBER 17, 1986. TOGETHER WITH THAT PORTION OF LOT 5 OF SAID MAP NO. 11653 DESCRIBED AS FOLLOWS:

BEGINNING AT AN ANGLE POINT ON THE COMMON LINE BETWEEN SAID LOTS 4 AND 5 THAT BEARS S 22° 25' 31" E 184.43 FEET (RECORD S 22° 26' 18" E 184.45 FEET) FROM THE MOST WESTERLY CORNER OF SAID LOT 4; THENCE NORTHEASTERLY ALONG SAID COMMON LINE N 67° 34' 29" E (RECORD N 67° 33' 42" E) 2.63 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG SAID COMMON LINE N 67° 34' 29" E (RECORD N 67° 33' 42" E) 235.31 FEET TO AN ANGLE POINT; THENCE N 22° 25' 31" W (RECORD N 22° 26' 18" W) 12.13 FEET TO AN ANGLE POINT; THENCE N 67° 24' 29" E (RECORD N 67° 33' 42" E) 44.08 FEET TO AN ANGLE POINT; THENCE S 22° 25' 31" E 136.02' (RECORD S 22° 26' 18" E 136.00 FEET) TO AN ANGLE POINT; THENCE S 67° 34' 29" W (RECORD S 22° 26' 18" E 82.54 FEET) TO AN ANGLE POINT ON SAID COMMON LINE, BEING A POINT ON A CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 8112.00 FEET, A RADIAL TO SAID POINT BEARS N 24° 46' 12" W; THENCE ALONG THE

SOUTHWESTERLY PROLONGATION OF THE SOUTHERLY LINE OF SAID LOT 4 ALONG SAID CURVE 274.66 FEET THROUGH A CENTRAL ANGLE OF 01° 56' 24"; THENCE NORTH N 22° 28' 36" W 32.33 FEET; THENCE N 67° 31' 24" E 5.00 FEET; THENCE N 22° 28' 36" W 189.96 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING FROM SAID LOT 4 THAT PORTION DESCRIBED AS FOLLOWS: BEGINNING AT THE MOST WESTERLY CORNER OF SAID LOT 4, BEING A POINT ON A CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 920.00 FEET, A RADIAL FROM SAID POINT BEARS S 28° 20' 40" E, THENCE NORTHEASTERLY ALONG SAID CURVE 57.66 FEET THROUGH A CENTRAL ANGLE OF 03° 35' 28"; THENCE PARALLEL WITH THE MOST WESTERLY LINE OF SAID LOT 4 S 22° 25' 31" E (RECORD S 22° 26' 18" E) 136.42 FEET; THENCE S 18° 50' 34" E 30.10 FEET; THENCE PARALLEL WITH SAID WESTERLY LINE OF SAID LOT 4; THENCE ALONG SAID SOUTHERLY LINE S 67° 34' 29" W (RECORD S 67° 33' 42" W) 55.62 FEET TO THE MOST WESTERLY SOUTHWEST CORNER OF SAID LOT 4; THENCE ALONG THE MOST WESTERLY LINE OF SAID LOT 4 N 22° 25' 31" W 184.43 FEET (RECORD N 22° 26' 18" W 184.45 FEET) TO THE POINT OF BEGINNING.

CONTAINS 4.707 ACRES

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in the Property conveyed under the foregoing to the Oceanside Public Financing Authority (the "Authority"), a joint exercise of powers authority duly organized under the laws of the State of California, is hereby accepted by the undersigned officer or agent on behalf of the Authority, pursuant to authority conferred by resolution of the said Authority adopted on _____ and the grantee consents to recordation thereof by its duly authorized officer.

Dated: May 1, 2011

OCEANSIDE PUBLIC FINANCING AUTHORITY

By: _____
Its: Executive Director

IN WITNESS WHEREOF, the parties have caused this Site Lease to be executed by their duly authorized officers as of the date and year first above written.

CITY OF OCEANSIDE

By: _____
Its: City Manager

Attest:

City Clerk

OCEANSIDE PUBLIC FINANCING AUTHORITY

By: _____
Its: Chairman

Attest:

Secretary

TRUST AGREEMENT

Dated as of May 1, 2011

by and among

BANK OF NEW YORK MELLON TRUST COMPANY, N.A. ,

as Trustee

and the

OCEANSIDE PUBLIC FINANCING AUTHORITY

and the

CITY OF OCEANSIDE

relating to the

\$ _____

CITY OF OCEANSIDE

2011 CERTIFICATES OF PARTICIPATION

(1998 POLICE AND LIBRARY FACILITIES REFUNDING)

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TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of May 1, 2011, by and among BANK OF NEW YORK MELLON TRUST COMPANY, N.A. , a banking corporation duly organized and existing under the laws of the State of California, as trustee (the "Trustee"), the OCEANSIDE PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California, as Authority under the Lease hereinafter referred to (the "Authority"), and the CITY OF OCEANSIDE, a municipal corporation duly organized and existing under the Constitution and laws of the State of California, as lessee under the Lease (the "City");

WITNESSETH:

WHEREAS, the City and the Oceanside Building Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Building Authority") have heretofore entered into a Lease Agreement, dated as of October 1, 1997 (the "1997 Lease Agreement") pursuant to which the Building Authority agreed to lease to the City certain real property and improvements located thereon (the "1998 Project"); and

WHEREAS, the Building Authority has previously issued its \$10,750,000 Oceanside Building Authority Certificates of Participation (1998 Police and Library Facilities Refunding) (the "1998 Certificates"), which 1998 Certificates were secured by lease payments under and pursuant to the terms the 1997 Lease Agreement; and

WHEREAS, the City and the Authority desire to defease and refinance the 1998 Certificates (the "Project"); and

WHEREAS, for the purpose of refinancing the 1997 Lease Agreement and the 1998 Certificates, the City and the Authority desire to enter into a Lease/Purchase Agreement, dated as of May 1, 2011 (the "Lease"), whereby the City has agreed to lease certain real property and improvements located thereon (collectively, the "Property"), defined below, from the Authority; and

WHEREAS, the City and the Authority have authorized the sale of the \$_____ City of Oceanside 2011 Certificates of Participation, (1998 Police and Library Facilities Refunding) (the "Certificates"), each evidencing fractional interests in the Lease Payments and Prepayments made by the City under the Lease, in order to refinance the Project; and

WHEREAS, as security for the Certificates, the Authority will assign the rights to receive certain Lease Payments described in the Lease, and the Authority and the City will grant a security interest in all moneys held by the Trustee hereunder (other than the Rebate Fund as described herein) to the Trustee for the benefit of the Owners of Certificates executed and delivered hereunder; and

WHEREAS, Section 5420 et seq. of the California Government Code (the "Government Code") provides statutory authority for pledging collateral for the payment of principal or prepayment price of, and interest, any agreement, including certificates of participation, and the Government Code creates a continuing perfected security interest on which shall attach immediately to such collateral irrespective of whether the parties to the pledge document have notice of the pledge and without the need for any physical delivery, recordation, filing or further act, and therefore the City and the Authority hereby warrant and represent that pursuant to the Lease, this Trust Agreement

and the Government Code, the Authority has a first priority perfected security interest in the Lease Payments described in the Lease represented by the Certificates.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions and Rules of Construction. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa. The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Trust Agreement, refer to this Trust Agreement as a whole.

“Additional Certificates” means certificates of participation authorized by a supplemental Trust Agreement that are executed and delivered by the Trustee under and pursuant to Section 2.12.

“Additional Payments” means all amounts payable by the City as Additional Payments as defined in Section 4.11 of the Lease.

“Assignment Agreement” means the Assignment Agreement related to the Certificates, dated as of the date hereof, by and between the Trustee and the Authority, and any duly authorized and executed amendments thereto.

“Authority” means the Oceanside Public Financing Authority, a joint exercise of powers authority organized under the laws of the State, its successors and assigns.

“Authority Representative” means the Chairman, Vice Chairman, Secretary, Treasurer, Executive Director, Assistant Executive Director or Assistant Treasurer of the Authority, or any other person authorized to act on behalf of the Authority under or with respect to the Lease.

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

“Building Authority” means the Oceanside Building Authority, a joint exercise of power authority organized under the laws of the State, its successors and assigns.

“Business Day” means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in the State of New York or the State of California are authorized or required by law or executive order to remain closed.

“Certificates” means the \$_____ aggregate principal amount of City of Oceanside 2011 Certificates of Participation, (1998 Police and Library Facilities Refunding) to be executed and delivered by the Trustee pursuant to this Trust Agreement.

“Certificate Year” means the period extending from [June 1 each year to May 31] of the subsequent calendar year, provided that the first Certificate Year shall commence on the Closing Date and end on [May 1, 2011].

“City” means the City of Oceanside, a municipal corporation organized and existing under the laws and Constitution of the State, and its successors and assigns.

“City Representative” means the City Manager, Administrative Services Director and Chief Financial Officer of the City or any other person authorized by the City Manager of the City to act on behalf of the City with respect to the Lease or this Trust Agreement.

“Closing Date” means the date on which the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser thereof.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement dated as of May 1, 2011, by and between the City and Bank of New York Mellon Trust Company, N.A. , as Dissemination Agent, as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the City, the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, Bond insurance premiums filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.01.

“Delivery Date” means [May __, 2011].

“Escrow Agreement” means that certain Escrow Agreement dated as of May 1, 2011, by and among the City, the Building Authority, and Bank of New York Mellon Trust Company, N.A. , as Escrow Bank, providing for the defeasance of the 1998 Bonds.

“Escrow Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.02.

“Event of Default” means an event of default under the Lease, as defined in Section 9.1 thereof.

“Fiscal Year” means the fiscal year of the City commencing July 1 and ending June 30 of the next year.

“Government Obligations” means Permitted Investments of the type described in paragraph (A) of the definition thereof.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Authority, the Trustee or the City.

“Interest Payment Date” means June 1 and December 1 of each year commencing [December 1, 2011].

“Investor Letter” means the letter delivered by the Owner or any subsequent transferor substantially in the form attached hereto as Exhibit B.

“Lease” means the Lease/Purchase Agreement related to the Certificates, dated as of the date hereof, by and between the City and the Authority, and any duly authorized and executed amendments thereto.

“Lease Payment” means any payment required to be paid by the City to the Authority pursuant to Section 4.4 of the Lease.

“Lease Payment Date” means the Lease Payment Date defined in Section 4.4(a) of the Lease, which shall be each May 15 and November 15 commencing [November 15, 2011].

“Lease Payment Fund” means the fund by that name established and held by the Trustee pursuant to Article V hereof.

“Letter of Representations” means the letter of the City delivered to and accepted by the Depository on or prior to delivery of the Certificates as book-entry certificates making reference to the DTC Operational Arrangements memorandum, as it may be amended from time to time, setting forth the basis on which the Depository serves as depository for such book-entry certificates, as such letters were originally executed or as they may be supplemented or revised or replaced by letters from the City and the Trustee delivered to and accepted by the Depository.

“Moody’s” means Moody’s Investors Service or any successors or assigns thereto.

“Net Proceeds” means any proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof.

“Net Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to Article VII hereof.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

“Outstanding” when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 10.03 hereof) all Certificates theretofore executed and delivered by the Trustee under this Trust Agreement except:

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

- (2) Certificates for the payment or prepayment of which funds or Government Obligations, together with interest earned thereon, in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 4.05 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to Sections 2.06 and 2.07 hereof.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest with respect to the Certificates shall be paid by the Owner pursuant to the Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City.

“Owner” or “Certificate Owner” or “Owner of a Certificate”, or any similar term, when used with respect to a Certificate means the person in whose name such Certificate is registered on the registration books maintained by the Trustee. The initial Owner shall be _____.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

“Permitted Investments” means, if and to the extent permitted by law and by any policy guidelines promulgated by the City:

(1) For all purposes including defeasance investments in refunding escrow accounts (the Trustee is entitled to rely upon investment direction of the City as a certification that such investment is a Permitted Investment):

- (a) cash (insured at all times by the Federal Deposit Insurance Corporation); or
- (b) obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are based by the full faith and credit of the U.S., including:
 - U.S. treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA)
 - State and Local Government Series
- (c) obligations of Government-Sponsored Agencies that are not backed by the full faith and credit of the U.S. Government, including:
 - Federal Home Loan Mortgage Corp. (FHLMC) Debt obligations
 - Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)

- Federal Home Loan Banks (FHL Banks)
- Federal National Mortgage Association (FNMA) Debt obligations
- Financing Corp. (FICO) Debt obligations
- U.S. Agency for International Development (U.S. A.I.D.) Guaranteed notes

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(2) For all purposes other than defeasance investments in refunding escrow accounts:

(a) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHA's), Federal Housing Administration and Federal Financing Bank;

(b) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated "Aaa" by Moody's or "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation (REFCORP), senior debt obligations of the Federal Home Loan Bank System and senior debt obligations of other Government Sponsored Agencies approved by the Owner;

(c) U.S. dollar denominated deposit accounts and bankers' acceptances with domestic commercial banks (including those of the Trustee and its affiliates) which have rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(d) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(e) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(f) pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations or any state of the United States of America of any agency, instrumentality or local governmental unit of any such state, which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P or Moody’s or any successors thereto; or

(ii) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (1)(b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(g) municipal obligations rated “Aaa/AAA” or general obligations of states with a rating of at least “A2/A” or higher by both Moody’s and S&P;

(h) investment agreements approved in writing by the Owner (supported by appropriate opinions of counsel);

(i) the Local Agency Investment Fund of the State, 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; and

(j) other forms of investments (including repurchase agreements) approved in writing by the Owner.

The value of the above investments shall be determined as follows:

“Value” which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(a) for the purpose of determining the amount of any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

(b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest.

(c) As to any investment not specified above: the value thereof established by prior agreement between the City, the Trustee and the Owner.

“Prepayment” means any payment made by the City pursuant to Article X of the Lease as a prepayment of Lease Payments.

“Prepayment Fund” means the fund by that name established and held by the Trustee pursuant to Article IV hereof.

“Principal Office or Corporate Trust Office” means the corporate trust office of the Trustee at [700 South Flower Street, Suite 500, Los Angeles, California 90017-4104], Attention: Corporate Trust Services; or such other or additional offices as may be designated by the Trustee.

“Project” has the meaning given to the term “1998 Project” in the Lease.

“Property” has the meaning set forth in the Lease.

“Record Date” means the close of business on the fifteenth day of the month preceding each Interest Payment Date, whether or not such fifteenth day is a Business Day.

“S&P” means Standard & Poor’s Ratings Services or any successors or assigns thereto.

“Site Lease” means the Site Lease related to the Certificates, dated the date hereof, by and between the Authority and the City.

“Special Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions and acceptable to the City.

“State” means the State of California.

“Tax Certificate” means the Tax Certificate, dated as of the Closing Date, concerning matters pertaining to the use and investment of proceeds of the Certificates executed and delivered to the City on the date of execution and delivery of the Certificates, including any and all exhibits attached thereto.

“Term” means the time during which the Lease is in effect, as provided in Section 4.2 of the Lease.

“Trustee” means Bank of New York Mellon Trust Company, N.A. , a banking corporation duly organized and existing under the laws of the State of California, and any successor trustee.

“Trust Agreement” or “Agreement” means this Trust Agreement, together with any amendments hereof or supplements hereto permitted to be made hereunder.

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 Trust Agreement, and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

Section 1.03. Equal Security. In consideration of the acceptance of the Certificates by the Owners, this Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest, if any, and principal represented by the Certificates which may be executed and delivered hereunder, subject to each of the agreements, conditions, covenants and terms contained herein; and all agreements, conditions,

covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein. All of the Certificates are equally secured as provided in this Section 1.3, except as may be otherwise expressly provided in this Trust Agreement.

ARTICLE II

THE 2011 CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization. Upon written request of the City Representative the Trustee will execute and deliver to the Owner a single Certificate in an aggregate principal amount of \$_____ representing proportionate ownership interests in the Lease Payments and the Prepayments.

Section 2.02. Description of Certificate.

(a) The Certificate shall be dated the Delivery Date and shall mature on December 1, 2022 in the amount of \$_____, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate of _____%.

The Certificate shall be delivered in fully registered form. The Certificate shall be executed and delivered in the denominations of \$5,000 and any integral multiple thereof.

The Certificate shall bear interest from the Interest Payment Date next preceding the date of execution thereof, unless (i) it is executed during the period from the day after the Record Date for an Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is executed on or prior to the Record Date for the first Interest Payment Date, in which event interest shall be payable from the Closing Date; provided, however, that if, at the time of execution of any Certificate interest with respect to such Certificate is in default, such Certificate shall bear interest from the Interest Payment Date to which interest has been paid or made available for payment with respect to such Certificate.

(b) Payment Provisions. Interest with respect to the Certificate shall be payable in lawful money of the United States of America by check or draft of the Trustee, mailed no later than the Interest Payment Date to the Owner at his address as it appears, on the Record Date, on the registration books maintained by the Trustee or at such other address as has been furnished to the Trustee in writing by the Owner on or prior to such Record Date; provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Certificates filed with the Trustee prior to any Record Date, interest with respect to such Certificates shall be paid to such Owner on each succeeding Interest Payment Date (unless such request has been revoked in writing) by wire transfer of immediately available funds to an account in the United States designated in such written request. Payments of defaulted interest with respect to the Certificates shall be paid by check or draft to the registered Owners of the Certificates as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the registered Owners of the Certificates no less than ten days prior thereto. The principal of and premium, if any, on the

Certificates is payable when due upon surrender thereof at the Principal Office in lawful money of the United States of America.

Section 2.03. Form of Certificates. The Certificates and the assignment to appear thereon shall be substantially in the forms set forth in Exhibit A attached hereto and by this reference incorporated herein with such appropriate additions, modifications, and insertions as are permitted or required by this Trust Agreement or the Owner. Pending the preparation of definitive Certificates the Certificates may be executed and delivered in temporary form exchangeable for definitive Certificates when ready for delivery. If the Trustee delivers temporary Certificates, it shall execute and deliver definitive Certificates in an equal aggregate principal amount of authorized denominations, when available, without additional charge, and thereupon the temporary Certificates shall be surrendered to the Trustee at its Principal Office. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under this Trust Agreement as definitive Certificates.

Section 2.04. Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of any authorized signatory of the Trustee. The Trustee shall insert the date of execution of each Certificate in the place provided thereon.

Section 2.05. Application of Proceeds. The proceeds from the sale of the Certificates in the amount of \$_____ shall be deposited with the Trustee, together with the \$_____ held under the trust agreement for the 1998 Certificates and transferred to the Trustee, as follows: \$_____ to the Costs of Issuance Fund and \$_____ to the Escrow Fund.

The Trustee may, in its discretion, establish a temporary fund or account in its books or records to facilitate such deposits and transfers.

Section 2.06. Transfer and Exchange.

(a) Transfer of Certificates. Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.09 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation at the Principal Office accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed, and the delivery of an executed Investor Letter substantially in the form attached hereto as Exhibit B by a Qualified Institutional Buyer. The Certificates may be transferred in whole only and not in part. Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate of the same tenor and maturity, for like aggregate principal amount in authorized denominations. The Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such exchange.

(b) Exchange of Certificates. Certificates may be exchanged at the Principal Office for a like aggregate principal amount of Certificates of other authorized denominations of the same tenor and maturity. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. All Certificates surrendered pursuant to the provisions of this Section shall be cancelled and destroyed by the Trustee and shall not be redelivered.

(c) Time for Transfer or Exchange. The Trustee shall not be obligated to transfer or exchange any Certificate after a Record Date and before the following Interest Payment Date, or during the period in which it is selecting Certificates for prepayment, or after notice of prepayment has been given as provided in Section 4.05.

Section 2.07. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor, maturity and principal amount in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be cancelled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity, satisfactory to the Trustee indemnifying the Trustee, the Authority and the City, shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor, maturity and principal amount and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Certificate executed under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate in place of one which has been mutilated, lost, destroyed or stolen, and which has matured, or has been called for prepayment, the Trustee may make payment with respect to such Certificate upon receipt of the above-mentioned indemnity.

Section 2.08. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) The fact of the ownership of Certificates by any person, the amount and numbers of such Certificates and the date of execution shall be proved by the registration books maintained pursuant to Section 2.09 hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or to be done by the Trustee in pursuance of such request or consent.

Section 2.09. Certificate Register. The Trustee will keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Certificates which shall, during normal working hours and upon reasonable notice, be open to inspection by the City and 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 said books, Certificates as hereinbefore provided. The City, the Authority and the Trustee shall be entitled to treat the registered owner of a Certificate as the absolute owner thereof for all purposes, whether or not a Certificate shall be overdue and the City, the Authority and the Trustee shall not be affected by any notice to the contrary.

Section 2.10. Registration and Book-Entry System.

(a) Initial Registration and Election of Book-Entry System. The Certificates shall initially be delivered as registered Certificates in the name of the Owner and shall not be delivered as book-entry certificates. The City, at its sole option, may require the Owner to surrender its Certificates in order to include in the Depository's book-entry system. If the City shall elect to deliver any Certificates in book-entry, then the City shall cause the delivery of a separate single fully registered Certificate (which may be typewritten) for each maturity date of such Certificates in an authorized denomination corresponding to that total principal amount of the Certificates designated to mature on such date. Upon such delivery, the ownership of each such Certificate shall be registered in the Certificate register in the name of the Nominee, as nominee of the Depository, and ownership of the Certificates, or any portion thereof, may not thereafter be transferred except as provided in Section 2.10(d).

With respect to book-entry Certificates, the City and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Certificates. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Certificates, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Certificate register, of any notice with respect to book-entry Certificates, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Certificates to be prepaid in the event the City prepays the Certificates in part, or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest evidenced and represented by book-entry Certificates. The City and the Trustee may treat and consider the person in whose name each book-entry Certificate is registered in the Certificate register as the absolute Owner of such book-entry Certificate for the purpose of payment of principal, premium and interest with respect to such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such

Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest evidenced and represented by the Certificates only to or upon the order of the respective Owner, as shown in the Certificate register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal, premium, if any, and interest evidenced and represented by the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Certificate register, shall receive a Certificate evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and represented by the Certificates. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word "Nominee" in this Trust Agreement shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Certificates for the Depository's book-entry system, the City shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the City any obligation whatsoever with respect to persons having interests in such book-entry Certificates other than the Owners, as shown on the Certificate register. In addition to the execution and delivery of a Letter of Representations, the City shall take such other actions, not inconsistent with this Trust Agreement, as are reasonably necessary to qualify book-entry Certificates for the Depository's book-entry program.

(c) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for book-entry Certificates, or (ii) the City determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Certificates or the City, then the City will discontinue the book-entry system with the Depository. If the City determines to replace the Depository with another qualified securities depository, the City shall prepare or direct the preparation of a new single, separate, fully registered Certificate for each of the maturity dates of such book-entry Certificates, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (d) hereof. If the City fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in such Certificate register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Certificates shall designate, in accordance with the provisions of Section 2.06 hereof.

(d) Payments to Depository. Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all Outstanding Certificates are held in book-entry and registered in the name of the Nominee, all payments with respect to principal, prepayment premium, if any, and interest evidenced and represented by such Certificate and all notices with respect to such Certificate shall be made and given, respectively to the Nominees, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(i) The Certificates shall be initially executed and delivered as provided in Section 2.01 hereof. If such Certificates are initially registered in the name of the Nominee, then registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.10(d) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the City that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the City that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.10(d), upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the City to the Trustee designating the Substitute Depository, a single new Certificate, which the City shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Certificates then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the City. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.10(d), upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the City to the Trustee, new Certificates, which the City shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the City, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new Certificates within a period of less than sixty (60) days from the date of receipt of such written request from the City.

(iii) In the case of a partial prepayment or an advance refunding of any Certificates evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Certificates indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository’s failure to make such notations or errors in making such notations.

(iv) The City and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the Owner thereof for all purposes of this Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the City; and the City and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Certificates. Neither the City nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Certificates, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Certificates.

Section 2.11. Destruction of Cancelled Certificates. Whenever in this Trust Agreement provision is made for the surrender or cancellation by the Trustee and the delivery to the City of any Certificates, the Trustee will cancel and destroy such Certificates and deliver a certificate of such destruction to the City upon its request.

Section 2.12. Additional Certificates. Subsequent to the execution and delivery by the Trustee of the Certificates, the Trustee shall, upon written request or requests of the City Representative and of the Authority Representative, execute and deliver from time to time one or more series of Additional Certificates in such aggregate principal amount as may be set forth in such written request or requests, provided that there shall have been compliance with all of the following conditions, which are hereby made conditions precedent to the preparation, execution and delivery of such Additional Certificates:

(a) The parties to this Trust Agreement shall have executed a supplemental agreement which (i) sets forth the terms and provisions of such Additional Certificates, including the establishment of such funds and accounts, which may be separate and apart from the funds and accounts established hereunder for the Certificates, as shall be necessary or appropriate, and (ii) requires that prior to the delivery of such Additional Certificates the Reserve Requirement with respect to such Additional Certificates shall be on deposit in the Reserve Fund established hereunder or in a reserve fund established under such supplemental agreement;

(b) The scheduled principal and interest payable with respect to such Additional Certificates shall be payable only on Interest Payment Dates applicable to the Certificates;

(c) The Lease shall have been amended, if necessary, to (i) increase or adjust the Lease Payments due and payable on each Lease Payment Date to an amount sufficient to pay the principal, premium (if any) and interest payable with respect to all Outstanding Certificates, including all Additional Certificates as and when the same mature or become due and payable (except to the extent such principal, premium and interest may be payable out of moneys then in the Reserve Fund or otherwise on deposit with the Trustee in accordance with this Trust Agreement), (ii) if appropriate, amend the definition of "Property" to include as part of the Property all or any portion of additions, betterments, extensions, improvements or replacements, or such other real or personal property (whether or not located upon the Property as such Property is constituted as of the date of this Trust Agreement), to be financed, acquired or constructed by the preparation, execution and delivery of such Additional Certificates, and (iii) make such other revisions to the Lease as are necessitated by the execution and delivery of such Additional Certificates (provided, however, that

such other revisions shall not prejudice the rights of the Owners of Outstanding Certificates as granted them under the terms of this Trust Agreement);

(d) There shall have been delivered to the Trustee a counterpart of the amendments required by subsection 2.12(c) hereof;

(e) The Trustee shall have received a certificate of the Authority Representative that there exists on the part of the Authority no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default);

(f) The Trustee shall have received a certificate of the City Representative that (i) there exists on the part of the City no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) and (ii) the Lease Payments as increased or adjusted do not exceed in any year the fair rental value of the Property (as such term is defined in the amended Lease);

(g) The Trustee shall have received an opinion of Special Counsel substantially to the effect that (i) said supplemental agreement and said amendments to the Lease comply in all respects with the requirements of this Section 2.12, (ii) said supplemental agreement and said amendments to the Lease have been duly authorized, executed and delivered by each of the respective parties thereto (provided that said opinion of Special Counsel, in rendering the opinions set forth in this clause (ii), shall be entitled to rely upon one or more other opinions of counsel, including counsel to any of the respective parties to said supplemental agreement or said amendments to the Lease), (iii) assuming that no Event of Default has occurred and is continuing, this Trust Agreement, as amended by said supplemental agreement, and the Lease, as amended by the respective amendments thereto, constitute the legal, valid and binding obligations of the respective parties thereto, enforceable against said parties in accordance with their respective terms (except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, debt adjustment or other laws affecting creditors' rights generally, and except to the extent that enforcement thereof may be limited by general principles of equity, regardless of whether enforcement is sought in a legal or equitable proceeding) and (iv) the execution of such supplemental agreement and said amendments to the Lease, and performance by the parties thereunder, will not result in the inclusion of the interest portion of any Lease Payments payable with respect to any Certificates, including Additional Certificates, theretofore prepared, executed and delivered, in the gross income of the Owners of the Certificates for purposes of federal income taxation;

(h) The City shall have provided the Owner written notice of the proposed execution and delivery of such Additional Certificates at the addresses indicated in Section 14.05 and shall have received prior written consent of the Owner with respect to such Additional Certificates; provided that any Additional Certificates being delivered to refund any outstanding Certificates shall not require the prior written consent of the Owner if the aggregate maximum annual debt service with respect to the Certificates and the Additional Certificates during any remaining year that the Certificates will be outstanding does not exceed maximum annual debt service with respect to the Certificates prior to such refunding.

(i) There shall have been delivered to the Trustee an endorsement to or reissuance of the title insurance policy delivered under Section 5.5 of the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and

Additional Certificates outstanding upon the execution and delivery of such Additional Certificates; and

(j) Such other conditions shall have been satisfied, and such other instruments shall have been duly executed and delivered to the Trustee (with a copy to the Owner), as the City or the Authority shall have reasonably requested.

Upon delivery to the Trustee of the foregoing instruments, the Trustee shall cause to be executed and delivered Additional Certificates representing the aggregate principal amount specified in such supplemental agreement, and such Additional Certificates shall be equally and ratably secured with all Certificates, including any Additional Certificates, theretofore prepared, executed and delivered, all without preference, priority or distinction (other than with respect to maturity, payment, prepayment or sinking fund payment (if any)) of any one Certificate, including Additional Certificates, over any other; provided, however, that no provision of this Trust Agreement shall require the City to consent to or otherwise permit the preparation, execution and delivery of Additional Certificates, it being understood and agreed that any such consent or other action of the City to permit the preparation, execution and delivery of Additional Certificates, or lack thereof, shall be in the sole discretion of the City.

ARTICLE III

ESTABLISHMENT OF FUNDS

Section 3.01. Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund". The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of a written requisition from a City Representative 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. On the second Business Day preceding March 1, 2008, or upon the earlier written request of a City Representative, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Bond Fund.

Section 3.02. Escrow Fund. The Trustee shall establish and maintain a separate fund to be known as the "Escrow Fund". Except as otherwise provided herein, moneys in the Escrow Fund shall be used solely for the funding of the Escrow Fund established pursuant to the Escrow Agreement for the defeasance of the 1998 Bonds and pursuant to written instructions of the City and shall be fully disbursed at the Closing Date. Upon the transfer of moneys as contemplated in this Section 3.02, the Trustee shall close the Escrow Fund and transfer any remaining proceeds therein to the Bond Fund for credit to the next Lease Payments then due.

ARTICLE IV

PREPAYMENT FUND

Section 4.01. Establishment of Prepayment Fund. The Trustee shall establish a special fund designated as the "City of Oceanside (1998 Police and Library Facilities Refunding) Prepayment Fund," referred to herein as the "Prepayment Fund;" shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as herein provided. Moneys to be used for prepayment of the Certificates shall be deposited into the Prepayment Fund

and used solely for the purpose of prepaying the Certificates in advance of their maturity on the date designated for prepayment and upon presentation and surrender of such Certificates to the Trustee.

Section 4.02. Extraordinary Prepayment. The Certificates are subject to prepayment prior to their respective maturity dates on any date, in whole or in part, from Net Proceeds which the Trustee shall deposit in the Prepayment Fund as provided in Section 6.1(c) of the Lease at least 45 days prior to the date fixed for prepayment and credited towards the prepayment made by the City pursuant to Section 10.2(a) of the Lease, at a prepayment price equal to the principal amount thereof together with accrued interest to the date fixed for prepayment, without premium.

Section 4.03. Prepayment

(a) Optional Prepayment. The Certificates are subject to prepayment prior to maturity in whole or in part on any date on or after _____, 20____, at the option of the City, in the event the City exercises its option under Section 10.3 of the Lease to prepay all or a portion of the principal component of the Lease Payments (in integral multiples of \$5,000), at a prepayment price equal to the principal component to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

In the event the City gives notice to the Trustee of its intention to exercise such option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the City will continue to pay the Lease Payments as if no such notice had been given.

(b) Mandatory Sinking Account Payment. The Certificates are subject to prepayment in part by lot, on December 1 in each of the following years from sinking account payments as set forth below at a prepayment price equal to the principal amount thereof to be prepaid, without premium; provided, however, that if some but not all of the Term Certificates have been prepaid pursuant to an optional or extraordinary prepayment, the total amount of all future sinking account payments will be reduced pro rata by the aggregate principal amount of the Term Certificates so prepaid. In addition, in lieu of prepayment thereof, the Term Certificates may be purchased by the City and tendered to the Trustee pursuant to the provisions of the Trust Agreement.

| <i>Mandatory Prepayment Date (December 1)</i> | <i>Sinking Account Prepayment</i> |
|--|--|
| | \$ |

†

† Final Maturity

Section 4.04. Selection of Certificates for Prepayment. Whenever provision is made in this Trust Agreement for extraordinary prepayment of Certificates pursuant to Section 4.02 hereof, the Trustee shall select Certificates for prepayment pro rata among maturities and by lot within any maturity. The Trustee shall promptly notify the City and the Authority in writing of the Certificates so selected for prepayment by mailing to the City and the Authority copies of the notice of prepayment provided for in Section 4.05.

Section 4.05. Notice of Prepayment.

(a) Content. When prepayment is authorized or required pursuant to this Article IV, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding Certificates of a maturity are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the Certificates to be prepaid, (e) the place or places where the prepayment will be made, (f) the original date of execution and delivery of the Certificates, and (g) any other descriptive information regarding the Certificates needed to identify accurately the Certificates being prepaid. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount of such Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable.

(b) Recipients: Timing. Notice of such prepayment shall be sent by first class mail or delivery service postage prepaid, or by telecopy or by such other method acceptable to such institutions, to the municipal Securities Depository (as defined below) on the date of mailing of notice to the Owners by first class mail and to the Information Services (as defined below) that disseminate securities redemption notices, on the date notice is mailed to the Owners and by first class mail, postage prepaid, to the Authority and the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books, at least thirty (30) days, but not more than sixty (60) days, prior to the prepayment date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates. Under no circumstances shall the Trustee have any liability to any party for any inaccurate CUSIP number.

The Securities Depository is The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax- (516) 227-4039 or 4190; or, in accordance with the then current guidelines of the Securities and Exchange Commission to such other addresses and/or such other securities depositories or to no such depositories as the City may designate in writing to the Trustee.

In addition, notice of such prepayment shall also be sent by certified mail, overnight delivery service, facsimile transmission or other secure means, postage prepaid, to all municipal registered Securities Depositories and to at least two of the national information services (the "Information Services") that disseminate securities prepayment notices, when possible, at least two (2) days prior to the mailing of notices required by the first paragraph above, and in any event no later than simultaneously with the mailing of notices required by the first paragraph above; provided, that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

Section 4.06. Partial Prepayment of Certificates. Upon surrender by the Owner of a Certificate for partial prepayment at the Principal Office, payment of such partial prepayment of the principal amount of a Certificate will be paid to such Owner. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the registered Owner thereof, at the expense of the City, a new Certificate or Certificates which shall be of authorized denominations equal in principal amount to the unprepaid portion of the Certificate surrendered and of the same tenor and maturity. Such partial prepayment shall be valid upon payment of the amount thereby

required to be paid to such Owner, and the City, the Authority and the Trustee shall be released and discharged from all liability to the extent of such payment.

Section 4.07. Effect of Notice of Prepayment. Notice having been given to the Owners of the Certificates as aforesaid, and the moneys for the prepayment (including, the interest to the applicable date of prepayment), having, been set aside in the Prepayment Fund, the Certificates shall become due and payable on said date of prepayment, and, upon presentation and surrender thereof at the Principal Office, said Certificates shall be paid at the prepayment price with respect thereto, plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed.

Section 4.08. Surplus. Any funds remaining in the Prepayment Fund after prepayment and payment of all Certificates Outstanding, including accrued interest and payment of any applicable fees and expenses to the Trustee pursuant to Sections 9.06 and 9.07 hereof and any other Additional Payments payable under the Lease or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to Section 8.08 hereof, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE V

LEASE PAYMENTS; LEASE PAYMENT FUND

Section 5.01. Security Provisions.

(a) Assignment of Rights in Lease. The Authority has, pursuant to the Assignment Agreement, presently assigned and set over to the Trustee certain of its rights in the Lease, including but not limited to all of the Authority's rights to receive and collect all of the Lease Payments, the Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease or pursuant hereto. All Lease Payments, Prepayments and such other amounts to which the Authority may at any time be entitled (other than amounts due to the Authority under Section 4.11 of the Lease) shall be paid directly to the Trustee, and all of the Lease Payments and Prepayments 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 if received by the Authority at any time shall be deposited by the Authority with the Trustee within five (5) Business Days after the receipt thereof, and all such Lease Payments shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund, all such Prepayments shall be forthwith deposited by the Trustee upon the receipt thereof in the Prepayment Fund.

(b) Security Interest in Moneys and Funds. The Authority and the City, as their interests may appear, hereby grant to the Trustee for the benefit of the Owners a lien on and a security interest in all moneys in the funds held by the Trustee under this Trust Agreement (excepting only the Rebate Fund and any moneys to be deposited into the Rebate Fund), including without limitation, the Lease Payment Fund, the Reserve Fund, the Prepayment Fund, the Escrow Fund and the Net Proceeds Fund, and all such moneys shall be held by the Trustee in trust and applied to the respective purposes specified herein and in the Lease.

(c) Pledge of Lease Payments and Proceeds. The Lease Payments and any proceeds from the re-letting or any other disposition of the Property pursuant to Article IX of the Lease (the "Lease Proceeds") are hereby irrevocably pledged to and shall be used for the punctual payment of the interest and principal represented by the Certificates and the Lease Payments and Lease Proceeds shall not be used for any other purpose while any of the Certificates remain Outstanding. This pledge shall constitute a first lien on the Lease Payments and Lease Proceeds in accordance with the terms hereof, subject to Section 13.03 hereof.

Section 5.02. Establishment of Lease Payment Fund. The Trustee shall establish a special fund designated as the "City of Oceanside (1998 Police and Library Facilities Refunding) Lease Payment Fund" and shall establish an Interest Account therein. All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the City nor the Authority shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

Section 5.03. Deposits. There shall be deposited in the Lease Payment Fund all Lease Payments and in the Prepayment Fund all Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to Section 2.05 hereof and Section 4.4 of the Lease, and any other moneys required to be deposited therein pursuant to the Lease, including without limitation Section 5.4(c) of the Lease (regarding proceeds of rental interruption insurance) or pursuant to this Trust Agreement, which moneys shall be applied as a credit towards any Lease Payment then due.

Section 5.04. Application of Moneys. Except as provided in this Section 5.04, all amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II and Article IV hereof, subject to the requirement that investment earnings not required to make the payments due from the Lease Payment Fund may be transferred to the Rebate Fund, to the extent necessary to comply with Section 8.08 hereof.

On or before each Interest Payment Date, the Trustee shall set aside an amount sufficient to pay the interest becoming due and payable on such Interest Payment Date on all Outstanding Certificates. Moneys so set aside shall be used and withdrawn by the Trustee solely for the purpose of paying the interest with respect to the Certificates as it shall become due and payable (including, accrued interest with respect to any Certificates prepaid prior to maturity).

On or before each Interest Payment Date on which the principal of the Certificates shall be payable, the Trustee shall set aside an amount equal to (i) the principal amount of the Certificates

coming due and payable on such Interest Payment Date pursuant to Section 2.02, and (ii) the prepayment price of the Certificates (consisting of the principal amount thereof and any applicable premiums) required to be prepaid on such Interest Payment Date pursuant to any of the provisions of Article IV hereof. Moneys so set aside shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Certificates at the maturity thereof, or (ii) paying the principal of and premium (if any) on any Certificates upon the prepayment thereof pursuant to Section 4.03(b) hereof.

Section 5.05. Surplus. Any funds remaining in the Lease Payment Fund after payment of all Certificates Outstanding, including accrued interest and payment of any applicable fees to the Trustee pursuant to Sections 9.06 and 9.07 hereof and any other Additional Payments due under the Lease, or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to Section 8.08 hereof, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI

[RESERVED]

ARTICLE VII

NET PROCEEDS FUND

Section 7.01. Establishment of Net Proceeds Fund: Deposits. The Trustee shall establish when required a special fund designated as the “City of Oceanside (1998 Police and Library Facilities Refunding) Net Proceeds Fund,” referred to herein as the “Net Proceeds Fund,” to be maintained and held in trust for the benefit of the Owners, subject to disbursement therefrom as provided herein. The Trustee shall deposit Net Proceeds in the Net Proceeds Fund as provided in Section 6.1(a) of the Lease.

(a) Casualty Insurance. The Trustee shall disburse Net Proceeds for replacement or repair of the Property as provided in Section 6.1(b) of the Lease, or transfer such proceeds to the Prepayment Fund upon notification of the City Representative as provided in Section 6.1(c) of the Lease. Pending such application, such Net Proceeds may be invested by the Trustee as directed by the City in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement. After all of the Certificates have been paid and the entire amount of principal and interest with respect to the Certificates has been paid in full, or provision made for payment satisfactory to the Trustee, including provision for all amounts required to be transferred to the Rebate Fund pursuant to Section 8.08 hereof, the Trustee shall pay any remaining moneys in the Net Proceeds Fund to the City after payment of any amounts due to the Trustee pursuant to Sections 9.06 and 9.07 hereof and any other Additional Payments due under the Lease.

(b) Title Insurance. Proceeds of any policy of title insurance received by the Trustee with respect to the Property shall be applied and disbursed by the Trustee upon the Written Request of the City as follows:

(i) If the City determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will

not result in an abatement of Lease Payments and Additional Payments payable by the City under the Lease (such determination to be certified by the City in writing), such proceeds shall, with the written approval of the Owner, be remitted to the City and used for any lawful purpose thereof; or

(ii) If the City determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Lease Payments and Additional Payments payable by the City under the Lease; then the Trustee shall, with the written approval of the Owner, immediately deposit such proceeds in the Prepayment Fund and such proceeds shall be applied to the prepayment of Certificates in the manner provided in Section 4.02 hereof.

Section 7.02. Cooperation. The Authority and the Trustee shall cooperate fully with the City at the expense of the City in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any item or portion thereof; provided, however, the Trustee shall not be obligated to take any action hereunder if it is not indemnified to its satisfaction from and against any liability or expense arising therefrom.

ARTICLE VIII

MONEYS IN FUNDS; INVESTMENT

Section 8.01. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement, other than in the Rebate Fund, are irrevocably held in trust for the benefit of the Owners and, in the case of the Rebate Fund, for payment as required to the United States Treasury, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Authority, the Trustee or the City, or any of them.

Section 8.02. Investments Authorized.

(a) By Trustee. Subject to the further provisions of this Article VIII, moneys held by the Trustee hereunder shall be invested and reinvested on maturity thereof by the Trustee pursuant to Section 8.02(b). The Trustee will report any such investments to the City on a monthly basis in its regular statements. Prior to the occurrence of any Event of Default, the Trustee shall not take any discretionary action against any consent under any investment agreement without the prior written consent of the City Representative.

(b) Upon Direction of the City. The City Representative shall direct by facsimile, to the designated trust officer responsible for the administration of this Trust Agreement, followed by oral notification and distribution by U.S. Mail or overnight courier service of such notice, such investment in specific Permitted Investments not less than two Business Days prior to the date that such Permitted Investment is to take effect. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available based among other things, scheduled completion of the various components of the Project. In the event that

the City Representative does not so direct the Trustee, the Trustee shall invest in the Permitted Investments described in paragraph 2(e) of the definition thereof contained in Section 1.01.

Investments purchased with funds on deposit in the Lease Payment Fund and Prepayment Fund shall mature not later than the Interest Payment Date or prepayment date, as appropriate, immediately succeeding the investment. Notwithstanding anything to the contrary contained herein, investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity of not greater than five years; provided that such amounts may be invested in an investment agreement described in paragraph 2(h) of the definition of Permitted Investments to the later of the final maturity of the Certificates or any Additional Certificates so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with Article VI hereof; and provided that no such investment of amounts in the Reserve Fund allocable to the Certificates or a series of Additional Certificates shall mature later than the respective final maturity date of the Certificates or the series of Additional Certificates, as applicable.

(c) Registration. Such investments, if registrable, shall be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee or its nominee.

(d) Trustee as Purchaser or Agent. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee or any of its affiliates may act as a sponsor of, or as an advisor to any provider of, Permitted Investments hereunder. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

(e) Trustee Standard of Care. Except as otherwise provided in Section 9.05, the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds or sale of such investment made by it in accordance with this Section or disposition made by it in accordance with Section 8.05(b).

Section 8.03. Disposition of Investments. Any income, profit or loss on the investment of moneys held by the Trustee hereunder shall be credited to the respective fund for which it is held, except as otherwise provided herein.

Section 8.04. Accounting. The Trustee shall furnish to the City, not less than monthly, an accounting (which may be in the form of its regular statements) of all investments made by the Trustee and all funds and amounts held by the Trustee; provided, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero and (ii) has not had any activity since the last reporting date. The Trustee shall keep accurate records of all funds administered by it and of all Certificates paid and discharged.

Section 8.05. Valuation and Disposition of Investments.

(a) Valuation. With respect to all funds and accounts, investments shall be valued by the Trustee (i) as frequently as deemed necessary by the Owner but not less often than annually nor more often than monthly, and (ii) upon any draw upon the Reserve Fund. In making

any such valuations, the Trustee may utilize, and conclusively rely upon such valuation services as may be available to the Trustee, including those within its regular accounting system.

(b) Disposition. Subject to the provisions of Section 8.08 hereof, the Trustee shall sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be 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.

Section 8.06. Commingling of Moneys in Funds. The Trustee may, and upon the written request of the City Representative shall, commingle any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee. The City shall ensure that any such commingling complies with Section 1.148-4 of the Treasury Regulations, and shall provide direction to the Trustee accordingly.

Section 8.07. Tax Covenants.

(a) General. The City and the Authority hereby covenant with the holders of the Certificates that, notwithstanding any other provisions of this Trust Agreement, they shall 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 with respect to the Certificates under Section 103 of the Code. The Authority hereby covenants with the holders of the of the Certificates that, notwithstanding any other provision of this Trust Agreement, to the extent that the Authority may have control over the proceeds of the Certificates, it shall not take any action that would adversely affect the exclusion from gross income of interest with respect to the Certificates under Section 103 of the Code. The City and the Authority (to the extent that the Authority may have control over the Project or the proceeds of the Certificates) shall not, directly or indirectly, use or permit the use of proceeds of the Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest with respect to the Certificates.

(b) Use of Proceeds. The City and the Authority (to the extent that the Authority may have control over the proceeds of the Certificates) shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Certificates, or any portion thereof, or any other funds of the City, that would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Certificates are outstanding, the City and the Authority, with respect to such proceeds and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Certificates as “governmental bonds.”

(c) Arbitrage. The City and the Authority (to the extent that the Authority may have control over the Project or the proceeds of the Certificates) shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of the Project, or other funds of the City, or take or omit to take any action, that would cause the Certificates to be “arbitrage bonds” within the

meaning of Section 148 of the Code. To that end, the City and the Authority shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

(d) Federal Guarantee. The City and the Authority (to the extent that the Authority may have control over the proceeds of the Certificates) shall not make any use of the proceeds of the Certificates or any other funds of the City, or take or omit to take any other action, that would cause the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Certificates.

Section 8.08. Rebate Fund.

(a) General. The Trustee shall establish a special fund designated the “City of Oceanside (1998 Police and Library Facilities Refunding) Rebate Fund” (the “Rebate Fund”). All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”). Such amounts shall be free and clear of any lien under this Trust Agreement and shall be governed by this Section and Section 8.07 of this Trust Agreement and by the Tax Certificate executed by the City. The Trustee shall be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the City, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the City with the Rebate Requirement.

(i) Within 45 days of the end of the fifth Certificate Year and each fifth Certificate Year thereafter, (1) the City shall calculate or cause to be calculated with respect to the Certificates the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, and (2) the City shall transfer to the Trustee for deposit in the Rebate Fund, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated. The City may direct that such amount be transferred from the Prepayment Fund, the Loan Payment Fund and the Reserve Fund to the extent permitted by Sections 4.08, 5.04 and 6.03 hereof.

(ii) The City shall not be required to deposit any amount to the Rebate Fund in accordance with preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (a) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (f) of this Section.

(iii) The City shall not be required to calculate the “rebate amount,” and shall not be required to deposit any amount to the Rebate Fund in accordance with

this subsection (a), with respect to all or a portion of the proceeds of the Certificates (including amounts treated as proceeds of the Certificates) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a 1-1/2% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.”

(b) Withdrawal Following Payment of Certificates. Any funds remaining in the Rebate Fund after prepayment of all the Certificates and any amounts described in paragraph (ii) of subsection (c) of this Section, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

(c) Withdrawal for Payment of Rebate. Upon the City’s written direction, but subject to the exceptions contained in subsection (a) of this Section to the requirement to calculate the “rebate amount” and make deposits to the Rebate Fund, the Trustee shall pay to the United States, from amounts on deposit in the Rebate Fund,

(i) not later than 60 days after the end of (1) the fifth Certificate Year, and (2) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all Certificates, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(d) Rebate Payments. Each payment required to be made pursuant to subsection (c) of this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 (or such other address as is permitted or required by the Internal Revenue Service), on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by the arbitrage rebate consultant for execution by the City and provided to the Trustee.

(e) Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the City equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) Withdrawals of Excess Amounts. In the event that immediately following the calculation required by subsection (a) of this Section, but prior to any deposit made under said

subsection, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with said subsection, upon written instructions from the City, the Trustee shall withdraw the excess from the Rebate Fund and credit such excess to the Lease Payment Fund.

(g) Record Keeping. The City shall retain records of all determinations made hereunder until six years after the complete retirement of the Certificates.

(h) Survival of Defeasance. Notwithstanding anything in this Trust Agreement to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Certificates.

ARTICLE IX

THE TRUSTEE

Section 9.01. Appointment of Trustee.

(a) Appointment. Bank of New York Mellon Trust Company, N.A. , a banking corporation duly organized and existing under the laws of the State of California, is hereby appointed Trustee by the Authority and the City.

(b) Qualifications. The Authority and the City agree that they will maintain a Trustee having a corporate trust office in New York, New York, San Francisco, California, Seattle, Washington, or Los Angeles, California capable of exercising trust powers in the State of California, with a reported capital surplus of at least Seventy-Five Million Dollars (\$75,000,000), or be a member of a bank holding company system, which shall have a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) Removal. The Owner and, so long as there is no Event of Default, the City, may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto.

(d) Resignation. The Trustee may, upon prior written notice to the City, the Owner and the Authority, resign; provided that such resignation shall not take effect until the successor Trustee is appointed as provided in this Section 9.01. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee subject to written approval of the Owner. In the event the City does not name a successor Trustee within thirty (30) days of receipt of notice of the Trustees’ resignation, then the Trustee may petition a federal or state court to seek the immediate appointment of a successor Trustee.

(e) Successor. Any successor Trustee shall be a bank or trust company meeting the qualifications as set forth in Subsection (b) above. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee and upon receipt of written approval of the Owner.

Section 9.02. Merger or Consolidation. Any company or banking association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 9.01, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.03. Protection of the Trustee.

(a) Reliance Upon Papers or Documents. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile transmission, electronic mail, request, consent, direction, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. In the event the Trustee shall make any investigation into the content of any such certifications, the Trustee shall not thereby be deemed to have expanded the scope of its duties.

(b) Reliance Upon Opinions of Counsel. The Trustee may consult with its counsel or counsel to the City, 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 in accordance therewith. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken by the Trustee in reliance thereon.

(c) Reliance Upon Requested Certificates. Whenever in the administration of its duties under this Trust Agreement, the Trustee shall deem 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), in the absence of bad faith on its part, shall be deemed to be conclusively proved and established by the certificate of the City Representative or the Authority Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Trust Agreement in reliance 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 seem reasonable, provided however that the duties and obligations of the Trustee shall not be deemed expanded thereby.

Section 9.04. Rights of the Trustee.

(a) Ownership of Certificates. The Trustee may become an Owner with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a 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 Owners, whether or not such

committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(b) Attorneys, Agents, Receivers. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, shall not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

(c) Funds and Accounts. In addition to the funds and accounts established or required to be established pursuant to this Trust Agreement, the Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its duties hereunder, and shall have the right to close such accounts in its discretion.

Section 9.05. Standard of Care. So long as there is no Event of Default, (a) the Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct, and (b) the Trustee shall only perform those duties specifically set forth herein and no implied duties, covenants or obligations whatsoever shall be read into this Trust Agreement. In the event of and during the continuance of an Event of Default, the Trustee shall exercise such care in performing its duties hereunder as a corporate trustee would exercise in such event.

Section 9.06. Compensation of the Trustee. As an Additional Payment under Section 4.11 of the Lease, the City shall, from time to time, pay such amounts as are specified in any written agreement with the City and, on demand, pay to the Trustee to the extent not covered by such agreement reasonable compensation for its services and the services of any accountants, consultants, attorneys and other experts as may be engaged by the Trustee to provide services under this Trust Agreement pursuant to a written agreement between the City and the Trustee. The City's obligation hereunder shall remain valid and binding notwithstanding maturity and payment of the Certificates.

Section 9.07. Indemnification of Trustee. The City shall, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against (whether or not litigated) all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the City, (ii) any breach or default on the part of the City in the performance of any of its obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Property, (iii) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act of negligence of any assignee of, or purchaser from, the City or of any of its or their agents, contractors, servants, employees or licensees with respect to the Property, or (v) the exercise and performance by the Trustee of its powers and duties hereunder or any related document, (vi) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates or this Trust Agreement, or (vii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Certificates. The indemnification set forth in this Section 9.07 shall extend to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under this Section or elsewhere in this Trust Agreement or other agreements for willful misconduct or negligence by the Trustee, its officers, agents, employees,

successors or assigns. The City's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Certificates, or the resignation or removal of the Trustee.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, Authority and the City, having any claim against the Trustee arising from this Trust Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein or where the Trustee has breached its standard of care as described in Section 9.05 hereof. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder or in the exercise of any of its rights or powers.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or in the exercise of any right hereunder.

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

Every provision of this Trust Agreement, the Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Trust Agreement, including without limitation, this Article IX.

The Trustee shall have 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 Certificates.

The Trustee shall not to be deemed to have knowledge of any Event of Default hereunder or under the Lease unless it has actual knowledge thereof at its Principal Office.

Section 9.08. Trustee's Disclaimer of Warranties. THE TRUSTEE MAKES NO 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 PROPERTY, OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE CITY IS LEASING THE PROPERTY AS IS. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Lease, the Site Lease, the Assignment Agreement or this Trust Agreement for the existence, furnishing, functioning or the City's use and possession of the Property.

ARTICLE X

MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.01. Amendments Permitted. This Trust Agreement and the rights and obligations of the Owner, and the Lease and the rights and obligations of the parties thereto, may be modified or amended at any time, by a supplemental agreement or amendment thereto, upon receipt by the Trustee of written consent of the Owner. No such modification or amendment, however, shall modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be.

Section 10.02. [Reserved]

Section 10.03. Disqualified Certificates. Certificates owned or held by or for the account of the City or the Authority or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the City or the Authority (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement.

The City or the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in this Article X shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section 10.03 hereof.

Section 10.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement or the Lease, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding, as the case may be, 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 supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Lease, as the case may be, for any and all purposes.

Section 10.05. Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Outstanding Certificate at such effective date and presentation of his Certificate for such purpose at the Principal Office, a suitable notation shall be made on such Certificate. The Trustee may determine that new Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Owner's action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate shall be exchanged in the Principal Office without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Section 10.06. Amendatory Endorsement of Certificates. Subject to Section 10.01 hereof, the provisions of this Article X shall not prevent an Owner from accepting any amendment as to the

particular Certificates held by him, provided that due notification thereof is made on such Certificates.

Section 10.07. Copies of Amendments Delivered to S&P. Copies of any modifications or amendments to this Agreement, the Lease, the Site Lease or the Assignment Agreement shall be delivered by the City to any rating agency then rating the Certificates at least 10 days prior to the effective date thereof.

ARTICLE XI

COVENANTS; NOTICES

Section 11.01. Compliance With and Enforcement of the Lease. The City covenants and agrees with the Owner to perform all obligations and duties imposed on it under the Lease. The Authority covenants and agrees with the Owner to perform all obligations and duties imposed on it under the Lease.

The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease by the Authority thereunder. The Authority and the City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the City, will deliver the same, or a copy thereof, to the Trustee.

Section 11.02. Payment of Taxes. The City shall pay all taxes as provided in Section 7.7(b) of the Lease.

Section 11.03. Observance of Laws and Regulations. The City will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a municipal corporation, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 11.04. Prosecution and Defense of Suits. The City shall promptly, and also upon request of the Trustee or the Owner, take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose.

Section 11.05. City Budgets. In accordance with Section 4.7 of the Lease, the City Representative shall certify to the Trustee on or before August 1 of each year that the City has included all Lease Payments (other than Lease Payments of advance rental), Additional Payments due under the Lease in the Fiscal Year covered by its annual budget and the amount so included. If the City fails to certify that it has included all such Lease Payments and Additional Payments in such annual budget, the Trustee shall promptly provide the City written notice specifying that the City has

failed to observe and perform its covenant and agreement in such Section 4.7 and requesting that such failure be remedied within 30 days, or such failure shall constitute an Event of Default under Section 9.1(b) of the Lease. The Trustee shall forward a copy of such notice to the Authority and to the Owner. Upon receipt of such notice, the City shall notify the Trustee of the proceedings proposed to be taken by the City, and shall keep the Trustee advised of all proceedings thereafter taken by the City.

Section 11.06. Further Assurances. The Authority and the City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owner the rights and benefits provided herein.

ARTICLE XII

LIMITATION OF LIABILITY

Section 12.01. Limited Liability of the City. Except for the payment of Lease Payments, Additional Payments and Prepayments when due in accordance with the Lease and the performance of the other covenants and agreements of the City contained herein and in the Lease, the City shall have no obligation or liability to any of the other parties hereto or to the Owners with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owner by the Trustee.

Section 12.02. No Liability of the City or Authority for Trustee Performance. Except as expressly provided herein, neither the City nor the Authority shall have any obligation or liability to any other parties hereto or to the Owner with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

(a) No Investment Advice. The Trustee shall have no obligation or responsibility for providing information to the Owner concerning the investment character of the Certificates.

(b) Sufficiency of this Trust Agreement or Lease Payments. The Trustee makes no representations as to the validity or sufficiency of the Certificates, shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it. The Trustee shall not be responsible or liable for the sufficiency or enforceability of the Lease, the Site Lease or the Assignment Agreement. The Trustee shall not be liable for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease (except as provided in this Trust Agreement), its right to receive moneys pursuant to said Lease, or the value of or title to the Property.

(c) Actions of Authority and City. The Trustee shall have no obligation or liability to any of the other parties or the Owners with respect to this Trust Agreement or failure or refusal of any other party to perform any covenant or agreement made by any of them under this Trust Agreement or the Lease, but shall be responsible solely for the performance of the duties and obligations expressly imposed upon it hereunder as provided in Section 9.05.

(d) Recitals and Agreements of Authority and City. The recitals of facts, covenants and agreements herein and in the Certificates contained shall be taken as statements,

covenants and agreements of the City or the Authority (as the case may be), and the Trustee assumes no responsibility for the correctness of the same.

Section 12.03. Limitation of Rights to Parties and Certificate Owner. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the City, the Authority, the Trustee and the Owner, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Authority, the Trustee and the Owner.

Section 12.04. No Liability of Authority to the Owner. Except as expressly provided herein, the Authority shall not have any obligation or liability to the Owner with respect to the payment when due of the Lease Payments by the City or with respect to the observance or performance by the City of the other agreements, conditions, and covenant imposed upon the City by the Lease or by this Trust Agreement.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.01. Assignment of Rights. The parties hereto acknowledge that pursuant to the Assignment Agreement the Authority has transferred, assigned and set over to the Trustee for the benefit of the Owners, certain of the Authority's rights under the Lease.

Section 13.02. Events of Default.

(a) Remedies. If an Event of Default shall happen, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease; provided, however, that notwithstanding anything herein or in the Lease to the contrary, THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE CERTIFICATES OR OTHERWISE TO DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. Section 9.2 of the Lease is hereby incorporated by reference.

(b) Actual Knowledge. The Trustee shall not be deemed to have knowledge of any Event of Default unless and until the trust officer responsible for the administration of this Trust Agreement shall have actual knowledge thereof, or shall have received written notice thereof at the Principal Office.

Section 13.03. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XIII or of Article IX of the Lease, shall be deposited into the Lease Payment Fund and be applied by the Trustee after payment of all amounts due and payable under Section 9.06 hereof and Section 4.11 of the Lease in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, Costs and Expenses: to the payment of the costs, fees and expenses of the Trustee in declaring such Event of Default and in performing its duties hereunder, including

reasonable compensation to its or their agents, attorneys and counsel and then any such amounts incurred by the Owner;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installment, 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

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal with respect to any Certificates which shall have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the Certificates and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, 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 13.04. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Owner and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owner by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or in the Lease, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder; provided that such written request shall not be otherwise than in accordance with provisions of law and this Trust Agreement and that the Trustee shall have the right to decline to follow any such written request if the Trustee shall be advised by counsel that the action or proceeding so requested may not be taken lawfully or if the Trustee in good faith shall determine that the action or proceeding so requested would be unjustly prejudicial to the Certificate Owners not a party to such written request or expose the Trustee to liability. In no event shall counsel to the Trustee be deemed counsel to the Owner, and any communications between the Trustee and its counsel shall be deemed confidential and privileged.

Section 13.05. Non-Waiver. Nothing in this Article XIII or in any other provision of this Trust Agreement or in the Certificates shall affect or impair the obligation of the City which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease. No delay or omission of the Trustee or of the Owner to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XIII to the Trustee or to the Owner may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owner.

Section 13.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owner is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 13.07. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or

otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owner, it shall have full power, in the exercise of its discretion for the best interest of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owner opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 13.08. Limitation on Certificate Owner's Right to Sue. The Owner shall not have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) the Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease; (b) the Owner shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) the Owner shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) there shall have been a default in the payment of the Lease Payments as the same become due.

Such notification, request, tender of indemnity, refusal or omission, and default are hereby declared, in every case, to be conditions precedent to the exercise by the Owner of any remedy hereunder.

Section 13.09. Agreement to Pay Attorneys' Fees and Expenses. In the event any party to this Trust Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or observance of any obligation or agreement on the part of the defaulting party contained herein, the defaulting party agrees that it 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.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Defeasance.

(a) Methods. If and when any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(i) Payment or Prepayment: by well and truly paying or causing to be paid the principal, interest and prepayment premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(ii) Cash: if prior to maturity and having given at least thirty (30) days prior written notice of prepayment by depositing with the Trustee, in trust, concurrent with the giving of such notice, an amount of cash which (together with cash then on deposit in the Lease Payment Fund and the Reserve Fund together with the interest to

accrue thereon, in the event of payment or provision for payment of all Outstanding Certificates) is sufficient to pay such Certificates Outstanding, including all principal and interest and premium, if any; or

(iii) Government Obligations: by irrevocably depositing with the Trustee, in trust, Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon (and, in the event of payment or provision for payment of all Outstanding Certificates, moneys then on deposit in the Lease Payment Fund and the Reserve Fund together with the interest to accrue thereon), be fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date;

and all other amounts due hereunder have been paid in full, then, notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Authority, the Trustee and the City with respect to such Certificates shall cease and terminate, except only the obligation of the City and the Authority to comply with the provisions of Sections 8.07 and 8.08 hereof and the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the City from funds deposited pursuant to paragraphs (ii) and (iii) of this Section, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (ii) and (iii) of this Section, the Certificates shall continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease.

(b) Surplus Moneys. Any funds held by the Trustee, at the time of payment or provision for payment of all Outstanding Certificates pursuant to the one of the procedures described in paragraphs (a)(i) through (a)(iii) of this Section, which are not required for the payment to be made to the Owners, shall be paid over to the City, after the payment of any amounts due to the Trustee pursuant to Sections 9.06 and 9.07 hereof, any amounts due and owing to the Owner, and any other Additional Payments due under the Lease.

(c) Surviving Provisions. Notwithstanding the satisfaction and discharge hereof, the Trustee shall retain such rights, powers and privileges hereunder as may be necessary or convenient for the payment of the principal, interest and prepayment premium, if any, on the Certificates and for the registration, transfer and exchange of the Certificates.

(d) Opinions and Reports. Prior to any defeasance becoming effective under this Section, the City shall cause to be delivered (i) an executed copy of a report, addressed to the Trustee, the City and the Owner, in form and substance acceptable to the City and the Owner of a nationally recognized firm of certified public accountants, verifying that the Government Obligations and cash, if any, satisfy the requirements of Section 14.01(a) above, and (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance, which escrow deposit agreement shall be in form and substance acceptable to the Owner.

Section 14.02. Non-Presentation of Certificates. In the event any Certificate shall not be presented for payment when the principal with respect thereto becomes due, either at maturity, or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Prepayment Fund or Lease Payment Fund, as applicable, all liability of the City and the Trustee to the Owner thereof for payment of such Certificate shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys,

Section 14.06. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 14.07. Binding Effect: Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement 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 Trust Agreement 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 14.08. Execution in Counterparts. This Trust 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 agreement.

Section 14.09. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles", "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 14.10. Waiver of Notice. Whenever in this Trust Agreement 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 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.

Section 14.11. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

CITY OF OCEANSIDE

By: _____
Its: Mayor

ATTEST:

City Clerk

OCEANSIDE PUBLIC FINANCING AUTHORITY

By: _____
Its: Chair

ATTEST:

Secretary

BANK OF NEW YORK MELLON TRUST
COMPANY, N.A. , as Trustee

By: _____
Its: Authorized Officer

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

THE REGISTERED OWNER OF THIS CERTIFICATE ACKNOWLEDGES AND AGREES THAT THIS CERTIFICATE MAY ONLY BE TRANSFERRED TO A QUALIFIED INSTITUTIONAL BUYER UPON SATISFACTION OF THE REQUIREMENTS IN THE TRUST AGREEMENT, INCLUDING THE DELIVERY TO THE TRUSTEE OF AN INVESTOR LETTER IN THE FORM REQUIRED BY THE TRUST AGREEMENT. ANY TRANSFER OF THIS CERTIFICATE IN VIOLATION OF THE TRANSFER RESTRICTIONS CONTAINED IN THE TRUST AGREEMENT SHALL BE VOID AND OF NO EFFECT.

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\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO**

**CITY OF OCEANSIDE
2011 Certificates of Participation
(1998 POLICE AND LIBRARY FACILITIES REFUNDING)**

**Evidencing the Fractional Interest of the Owner Hereof
In Lease Payments to be Made by the
CITY OF OCEANSIDE
Pursuant to a Lease/Purchase Agreement With the
OCEANSIDE PUBLIC FINANCING AUTHORITY**

| INTEREST RATE | MATURITY DATE | DELIVERY DATE | CUSIP |
|----------------------|----------------------|----------------------|--------------|
| _____% | December 1, ____ | [May 1, 2011] | _____ |

REGISTERED OWNER: [OWNER]

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

THIS IS TO CERTIFY THAT the registered owner named above, or registered assigns, as the Registered Owner of this Certificate of Participation (the "Certificate") is the owner of a fractional and undivided interest in the right to receive certain Lease Payments and Prepayments thereof under and as defined in that certain Lease/Purchase Agreement dated as of May 1, 2011 (the "Lease"), by and between the Oceanside Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority") and the City of Oceanside, a municipal corporation organized and existing under and by virtue of the

laws and Constitution of the State of California (the "City"), which Lease Payments and Prepayments and certain other rights and interests under the Lease have been assigned to Bank of New York Mellon Trust Company, N.A. , as trustee (the "Trustee"), having a corporate trust office or agency in Los Angeles, California (said office being herein referred to as the "Principal Office").

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Lease, on the maturity date specified above, the principal amount specified above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on [June 1, 2011], and semiannually thereafter on June 1 and December 1 of each year (each, a "Payment Date") until payment in full of said portion of principal, the Registered Owner's portion of the Lease Payments designated as interest coming due during the six months immediately preceding each of the Payment Date provided that interest with respect hereto shall be payable from the Payment Date next preceding the date of execution of this Certificate unless (i) this Certificate is executed during the period from the day after the fifteenth day of the month proceeding a Payment Date (the "Record Date") to and including such Payment Date, in which event interest shall be payable from such Payment Date, or (ii) unless this Certificate is executed on or prior to [May 1, 2011], in which event interest shall be payable from the Delivery Date hereof. The portion of the Lease Payments designated as interest is computed on the basis of a 360-day year of twelve 30-day months and is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the rate per annum identified above. Said amounts are payable in lawful money of the United States of America. The amount representing principal payable at maturity or upon prepayment in whole or in part is payable to the Registered Owner upon presentation and surrender of this Certificate at the Principal Office of the Trustee. The amounts representing interest are payable by check mailed by the Trustee by first class mail, postage prepaid, to the Registered Owner hereof as of the Record Date preceding the Payment Date at the address as it appears on the registration books of the Trustee. Interest with respect to any Certificates may, at the option of any Owner of Certificates in an aggregate principal amount of \$1,000,000 or more evidenced by the written request of such Owner to the Trustee, be paid to such Owner by wire transfer to the bank and account number on file with the Trustee as of the Record Date.

This Certificate is one of the \$_____ aggregate principal amount of "2011 Certificates of Participation (1998 Police and Library Facilities Refunding)" (the "Certificates") which have been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement dated as of May 1, 2011 (the "Trust Agreement"), by and among the Trustee, the Authority and the City. The City is authorized to enter into the Lease and the Trust Agreement under the Constitution and laws of the State of California. Reference is hereby made to the Lease and the Trust Agreement (copies of which are on file at the Principal Office of the Trustee) for a description of the terms on which the Certificates are delivered, the rights thereunder of the Registered Owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Lease, to all of the provisions of which Lease and Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The City is obligated to pay Lease Payments from any source of legally available funds, and the City has covenanted in the Lease to make the necessary annual appropriations therefor. 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. The obligation of the City to pay Lease Payments does not constitute a debt of the City, the State of California or any of its political subdivisions within the meaning of any Constitutional or statutory debt limitation or restriction. The City's obligation to pay Lease

Payments may be abated during any period in which, by reason of material damage, destruction, title defect, or taking by eminent domain or condemnation there is substantial interference with the use and right of possession by the City of the Property. Failure of the City to pay Lease Payments during any such period shall not constitute a default under the Lease, the Trust Agreement or this Certificate.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the Owner. No such modification or amendment shall modify any of the rights or obligations of the Trustee without its written assent thereto.

This Certificate is transferable in whole, but not in part, by the Registered Owner hereof, in person or by his duly authorized attorney, at the Principal Office of the Trustee, to a Qualified Institutional Buyer who has executed an Investor Letter, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of an authorized denomination or denominations, for the same aggregate principal amount, maturity and interest rate, will be delivered to the transferee. This Certificate also may be exchanged for a like aggregate principal amount of Certificates of other authorized denominations as prescribed in the Trust Agreement. The City, the Authority, and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes whether or not this Certificate shall be overdue, and the City, the Authority and the Trustee shall not be affected by any notice to the contrary.

The Trustee shall not be required to transfer any Certificate selected for prepayment or be required to transfer any Certificate during the period in which the Trustee is selecting Certificates for prepayment.

The Certificates are subject to prepayment, on any date, in whole or in part, from Net Proceeds deposited by the Trustee in the Prepayment Fund established under the Trust Agreement at least 45 days prior to the date fixed for prepayment, at a prepayment price equal to the principal amount thereof together with accrued interest to the date fixed for prepayment, without premium.

The Certificates are subject to prepayment prior to maturity in whole or in part on any date on or after _____, _____, at the option of the City, in the event the City exercises its option under the Lease to prepay all or a portion of the principal component of the Lease Payments (in integral multiples of \$5,000), at a prepayment price equal to the principal component to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

The Certificates are subject to prepayment in part by lot, on December 1 in each of the following years from sinking account payments as set forth below at a prepayment price equal to the principal amount thereof to be prepaid, without premium; provided, however, that if some but not all of the Certificates have been prepaid pursuant to an optional or extraordinary prepayment, the total amount of all future sinking account payments will be reduced pro rata by the aggregate principal amount of the Certificates so prepaid. In addition, in lieu of prepayment thereof, the Certificates may be purchased by the City and tendered to the Trustee pursuant to the provisions of the Trust Agreement.

*Mandatory
Prepayment Date
(December 1)*

*Sinking Account
Prepayment*

\$

†

† Final Maturity

As provided in the Trust Agreement, notice of prepayment shall be mailed by first class mail, postage prepaid, not less than 30 nor more than 60 days before the prepayment date, to the Registered Owner of this Certificate, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment. If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, interest shall cease to accrue with respect hereto from and after the date fixed for prepayment.

The City has certified that all acts, conditions and things required by the statutes of the State of California and the Trust Agreement to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Certificate do exist, have happened and have been performed in regular and due time, form and manner as required by law, and that the Trustee is duly authorized to execute and deliver this Certificate, and that the amount of this Certificate, together with all other Certificates executed and delivered under the Trust Agreement, is not in excess of the amount of Certificates authorized to be executed and delivered thereunder.

Terms used herein which are not otherwise defined shall have the respective meanings assigned thereto in the Trust Agreement.

The Trustee has no obligation or liability to the Registered Owners to make payments of principal or interest with respect to this Certificate except from Lease Payments and Prepayments paid to the Trustee and from the various funds and accounts established under the Trust Agreement. The Trust Agreement provides that the recitals of facts, covenants and agreements in this Certificate shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same. The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY (AS DEFINED IN THE TRUST AGREEMENT) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by Bank of New York Mellon Trust Company, N.A. , as Trustee, acting pursuant to the Trust Agreement.

Date of Execution: _____
COMPANY, N.A. ,

BANK OF NEW YORK MELLON TRUST
as Trustee

By: _____
Its: Authorized Officer

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(print or typewrite name, address, including postal zip code, and social security
or other identifying number of Transferee)

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney to transfer the within Certificate on the books kept for registration thereof by the Trustee,
with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

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

NOTICE: The signature to this assignment must
correspond with the name as it appears upon the
face of the within Certificate in every particular,
without alteration or enlargement or any change
whatsoever.

EXHIBIT B
CITY OF OCEANSIDE
2011 CERTIFICATES OF PARTICIPATION
(1998 POLICE AND LIBRARY FACILITIES REFUNDING)

INVESTOR LETTER

May 1, 2011

City of Oceanside
Oceanside, California

Oceanside Public Financing Authority
Oceanside, California

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

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Re: \$_____ Certificates of Participation, (Police and Library Facilities Refunding), Series A of 2011

Ladies and Gentlemen:

The undersigned (the "Investor") hereby acknowledges receipt of \$_____ in aggregate principal amount of the above-referenced bonds (the "Certificates"), dated _____, 2011 in fully registered form and bearing interest from the date thereof.

1. We are a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1933 (the "1933 Act").

2. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations of a nature similar to the above-captioned Certificates to be able to evaluate the risks and merits of the investment represented by the purchase of the Certificates.

3. We are acquiring the Certificates for our own account or for the account of institutions which meet the representations set forth herein, and not with a view to, or for sale in connection with, any distribution of the Certificates or any part thereof. We have not offered to sell, solicited offers to buy, or agreed to sell the Certificates or any part thereof, and we have no present intention of reselling or otherwise disposing of the Certificates.

4. As a sophisticated investor, we have made our own credit inquiry and analysis with respect to the City of Oceanside (the "Issuer") and the Certificates, and have made an independent credit decision based upon such inquiry and analysis. The Issuer has furnished to us all the information which we as a reasonable investor have requested of the Issuer as a result of our having

attached significance thereto in making our investment decision with respect to the Certificates, and we have had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the Issuer and the Certificates. We are able and willing to bear the economic risk of the purchase and ownership of the Certificates.

5. We understand that the Certificates have not been registered with any federal or state securities agency or commission.

6. We acknowledge that the Certificates are transferable only by notation on the registration books maintained by The Bank of New York Mellon Trust Company, as trustee, and are freely transferable provided that:

(i) the transferring holder thereof shall first have complied with all applicable state and federal securities laws and regulations;

(ii) the Certificates are transferred only to a transferee who executes and delivers to the Issuer a letter of the transferee substantially to the effect of this letter and who qualifies as (i) a qualified institutional buyer pursuant to Rule 144A of the 1933 Securities Act;

(iii) the transferring holder thereof will not prepare or furnish, or cause to be prepared or furnished, any disclosure regarding the Issuer's finances without the prior review and written consent of the Issuer, in the Issuer's sole discretion; and

(iv) the Certificates are transferred in whole and not in part.

7. Notwithstanding anything herein to the contrary, our obligation to purchase the Certificates shall be subject to the condition precedent that from the date hereof to the date of delivery of the Certificates, there shall not have occurred any:

(i) material adverse change in the financial condition or general affairs of the Issuer;

(ii) event, court decision, proposed law or rule which may have the effect of changing the federal income tax incidents of the Issuer or of the ownership of the Certificates or the interest thereon or the transactions contemplated herein; or

(iii) international or national crisis, suspension of stock exchange trading or banking moratorium materially affecting, in our opinion, the market value of the Certificates.

Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Trust Agreement. All representations of the Investor contained herein shall survive the sale and delivery of the Certificates as representations of fact existing as of the date of execution of this Investor Letter.

Dated: _____

INVESTOR

By _____

ATTACHMENT 7

BOND COUNSEL AGREEMENT

CITY OF OCEANSIDE

2011 CERTIFICATES OF PARTICIPATION (1998 POLICE AND LIBRARY FACILITIES REFUNDING)

THIS AGREEMENT, made as of this ____ day of May, 2011, by and between the CITY OF OCEANSIDE, a chartered city organized and existing under the laws of the State of California (herein "City") and STRADLING YOCCA CARLSON & RAUTH, a Professional Corporation (herein "Bond Counsel"):

RECITALS:

A. The City desires to cause the execution and delivery of Certificates of Participation (the "Certificates") to refinance the outstanding 1998 Certificates of Participation (1998 Police and Library Facilities Refunding); and

B. The City desires to retain Bond Counsel to do the necessary legal work hereinafter outlined, upon the terms and conditions hereinafter set forth, for accomplishing the issuance of the Certificates; and

C. Bond Counsel represents that it is ready, willing and able to perform said legal work;

NOW, THEREFORE, in consideration of the premises, and the mutual covenants, terms and conditions herein contained, the parties agree as follows:

1. SCOPE OF SERVICES

A. BOND COUNSEL SERVICES

The City retains Bond Counsel to provide, and Bond Counsel agrees to provide, legal services in connection with the issuance of the Certificates. Such services shall include the rendering of legal opinions (hereinafter called the "opinions") pertaining to the issuance of the Certificates to the effect that:

1. The Certificates have been properly executed and delivered and are valid and binding obligations; and
2. The essential sources of security for the Certificates have been legally provided; and
3. Interest with respect to the Certificates is exempt from California personal income taxation and is excluded from gross income for purposes of federal income taxes.

Bond Counsel's services will also include:

- i. Researching applicable laws and ordinances relating to the proposed Certificates;
- ii. Attending conferences and consulting with City staff and counsel regarding such laws, and the need for amendments thereto, or additional legislation;
- iii. Participating in meetings, conferences or discussions with any financial advisors, underwriters or other experts retained by the City with respect to the execution and delivery of the Certificates;
- iv. Supervising and preparing documentation of the steps to be taken through the issuance of the Certificates, including:
 - a. Drafting all resolutions, notices, rules and regulations and other legal documents required for the issuance of the Certificates, and all other documents relating to the security of the Certificates, in consultation with the City, the City Attorney, the City's financial advisor, underwriter and other experts;
 - b. Preparing the record of proceedings for the authorization, sale and issuance of the Certificates;
 - c. Reviewing the purchase contracts or the bidding documents relating to the sale of the Certificates and participating in the related negotiations;
 - d. Participating in meetings and other conferences scheduled by the City, the City's financial advisor or the underwriter;
 - e. Consulting with prospective purchasers and their legal counsel;
 - f. Reviewing the title policy for the leased property and preparing title instructions;
 - g. Consulting with counsel to the City concerning any legislation or litigation which may effect the Certificates, the security for the Certificates, or any other matter related to the execution and delivery of the Certificates;
 - h. Consulting with any trustee or fiscal agent for the Certificates and their counsel;
 - i. Preparing the form of the Certificates, and supervising their production or printing, signing, authentication and delivery;

- j. Rendering the final approving opinion as to the validity of the Certificates for use and distribution upon their execution and delivery; and
- k. Rendering a legal opinion to the purchaser of the Certificates as to the applicability of the registration requirements of federal securities laws.

B. [RESERVED]

C. SPECIAL SERVICES

“Special Services” are defined for purposes of this Agreement as services in addition to the services outlined in Sections A and B above. Special Services will include, but not be limited to, any work after a bond closing related to the amendment of bond documents or agreements and special studies or analyses. Special Services must be authorized in writing by the City Manager, or his designee.

2. COMPENSATION

The City agrees to pay Bond Counsel the following amounts as compensation for services rendered by Bond Counsel under this Agreement:

A. For the services to be rendered under Section 1.A above, Bond Counsel will be paid a fee of \$35,000.

The fees referenced in this Section 2.A shall be paid to Bond Counsel on the closing date and shall be payable solely from Certificate proceeds.

The fees referenced in this Section 2.A assume that the Certificates will be executed and delivered within one year from the date of this Agreement. In the event the Certificates are not executed and delivered within that time, Bond Counsel reserves the right to make such modifications to the foregoing fees as the City and Bond Counsel agree, as justified by reason of increased cost to Bond Counsel and the then prevailing fees for disclosure counsel and bond counsel services for Certificates such as the Certificates.

B. In the event Bond Counsel is requested to perform Special Services as set forth in Section 1.C above, Bond Counsel will be paid fees at the hourly rates set forth in Exhibit A, or in such other manner as is mutually acceptable to the City and Bond Counsel. Such fees will be billed monthly and shall be payable within thirty (30) days following the receipt of each invoice. Bond Counsel shall not be paid fees for traveling time.

C. In addition to the fees set forth in paragraphs A and B above, Bond Counsel shall be reimbursed for the actual cost of any out-of-pocket expenses reasonably incurred by Bond Counsel in the course of its employment, such as document reproduction, telecommunications charges, printing costs, filing fees, long-distance telephone calls, messenger services, overnight delivery services, travel and similar items of expense. All expenses incurred in connection with services rendered will be billed upon the execution and delivery of the series of the Certificates to which they relate, and may include an estimate of costs to be incurred subsequent to the issuance date. Such expenses shall not exceed \$2,000.

3. PERSONNEL AND CONTRACT ADMINISTRATION

City agrees to accept and Bond Counsel agrees to provide the aforementioned services primarily through Brian Forbath, Lauren Tarantello and Carol L. Lew. If any one of the above attorneys is unable to provide such services due to death, disability or similar event, Bond Counsel reserves the right to substitute another of its attorneys, upon approval by the City Manager, the City Attorney or their respective designees, to provide such services; and such substitution shall not alter or affect in any way Bond Counsel's or the City's other obligations under this Agreement.

This Agreement will be administered by the City Attorney, or his designee.

4. TERMINATION

A. This Agreement may be terminated without cause by the City or Bond Counsel upon thirty (30) days' advance written notice to the other party. Such notification shall state the effective date of the termination of this Agreement.

B. Bond Counsel reserves the absolute right to withdraw from representing the City if, among other things, the City fails to honor the terms of this Agreement, the City fails to cooperate fully or follow Bond Counsel's advice on a material matter, or any fact or circumstance occurs that would, in Bond Counsel's view, render its continuing representation unlawful or unethical. If Bond Counsel elects to withdraw, the City will take all steps necessary to free Bond Counsel of any obligation to perform further services, including the execution of any documents necessary to complete such withdrawal, and Bond Counsel will be entitled to be paid at the time of withdrawal for all services rendered and costs and expenses paid or incurred on the City's behalf in accordance with the payment terms set forth in Section 2 above. If necessary in connection with litigation, Bond Counsel would request leave of court to withdraw.

C. Bond Counsel's representation of the City will be considered terminated at the earlier of (i) the City's termination of its representation, (ii) Bond Counsel's withdrawal from its representation of the City, or (iii) the substantial completion by Bond Counsel of its substantive work for the City. Unless Bond Counsel has been specifically engaged to perform Special Services related to the Certificates after their execution and delivery, Bond Counsel's representation of City shall terminate on the date of execution and delivery of the Certificates.

5. DISPUTE RESOLUTION

IN THE EVENT OF A DISPUTE REGARDING FEES, COSTS, OR ANY OTHER MATTER ARISING OUT OF OR RELATED IN ANY WAY WHATSOEVER TO BOND COUNSEL'S RELATIONSHIP WITH THE CITY, OR BOND COUNSEL'S OR THE CITY'S PERFORMANCE OF THIS AGREEMENT, INCLUDING THE QUALITY OF THE SERVICES WHICH BOND COUNSEL RENDERS, SUCH DISPUTE SHALL BE FIRST SUBMITTED TO MEDIATION, THE COST OF WHICH SHALL BE BORNE EQUALLY BY THE PARTIES, AND RESOLVED BY CONFIDENTIAL ARBITRATION IN THE COUNTY OF ORANGE, CALIFORNIA.

6. INDEMNIFICATION AND INSURANCE

The Firm agrees to defend, indemnify and hold the City and its officers, agents, and employees harmless from any and all claims which arise from or are directly connected with the Bond Counsel's negligence or failure to perform the work or other obligations under this Agreement, and all expenses of investigating and defending against same (including reasonable attorneys' fees in connection therewith); provided, however, that this duty to defend, indemnify, and hold harmless shall not include any claim based upon the alleged errors or omissions of Bond Counsel related to the rendering of or the failure to render professional services hereunder so long as Bond Counsel maintains in effect errors and omissions insurance as required by this paragraph, or arising from the sole negligence or willful misconduct of the City, its officers, agents or employees. Bond Counsel agrees to maintain errors and omissions insurance in an amount not less than twenty-five million dollars (\$25,000,000) per claim period throughout the term of this Agreement.

7. MISCELLANEOUS

A. Bond Counsel and the employees of Bond Counsel, in performance of the Agreement, shall act in an independent capacity and not as officers or agents of the City.

B. Without the written consent of the City, this Agreement is not assignable by Bond Counsel in whole or in part.

C. No alteration or variation of the terms of this Agreement shall be valid unless in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.

D. In accordance with the requirements of California Business and Professions Code § 6148, Bond Counsel advises you that the firm maintains professional errors and omissions insurance coverage applicable to the services to be rendered to the City.

CITY OF OCEANSIDE

By: _____
City Manager

APPROVED AS TO FORM:

By: _____
City Attorney

STRADLING YOCCA CARLSON & RAUTH
a Professional Corporation

By: _____
Brian Forbath

EXHIBIT A

| | |
|--------------|-------|
| Shareholders | \$445 |
| Associates | \$275 |
| Paralegals | \$135 |

777 South Figueroa St.
Suite 3200
Los Angeles, CA 90017

PHONE 213 612 2200
FAX 213 612 2499
www.blxgroup.com

January 26, 2011

Michele C. Lund
Treasury Manager
City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

Re: Proposed Independent Financial Advisory Services Agreement

Dear Michele:

This letter to confirm and describe the engagement of the BLX Group LLC ("BLX") by the City of Oceanside (the "City") for the purpose of performing the following services (collectively, the "Services") with respect to the City's \$10,750,000 Certificates of Participation (Police and Library Facilities) (the "Certificates"), as more specifically described and as set forth in:

Appendix A: Proposed Independent Financial Advisory Services

The City agrees to provide or cause to be provided from all sources to BLX all such relevant data, as specified by BLX from time to time, and shall cooperate with all reasonable requests of BLX in connection therewith.

The services provided by BLX will be limited to those set forth herein. Although BLX is a wholly-owned subsidiary of Orrick, Herrington & Sutcliffe LLP, a law firm, BLX's services will not include the delivery of legal services, legal advice or legal opinions of any kind.

The City will pay BLX for the Services as set forth in the Appendix A. Fees are due within 30 days of invoice receipt.

This engagement is terminable by either party by written notice to the other, such termination to be effective immediately.

If this engagement letter is satisfactory, please have an authorized official execute one copy and return it to the undersigned.

Very truly yours,



Glenn Casterline, Managing Director
BLX Group LLC

BOSTON

DALLAS

DENVER

LOS ANGELES

NEW YORK

PHOENIX

PORTLAND

SAN FRANCISCO

TAMPA

Appendix A

Proposed Independent Financial Advisory Services

1. Review existing bond documents, including but not limited to the Certificates official statement, bond indenture and underlying resolutions to ascertain the optional redemption provisions along with the applicable covenants relating to refundings and optional redemptions.
2. Compare long term refinancing options via (i) a public offering or (ii) private placement including estimated debt service costs, costs of issuance, and risks/benefits of each option. Based on our preliminary analyses we determined the City will generate the greatest PV savings via private placement. The remaining scope of services are associated with such option.
3. Prepare a financing schedule that incorporates relevant bond trustee notice provisions, bank credit approval process(es), bond and bank counsel opinions and private placement documentation.
4. Provide the City with estimated costs of issuance associated with a private placement.
5. Provide a list of interested banks to the City and assist the City in the preparation of a request for proposals ("RFP") for the private purchase of the Certificates to be circulated to these banks.
6. Respond to requests for additional information from the banks on the City's behalf and coordinate conference calls with the respondents and the City, as required, to facilitate the banks' internal credit review processes.
7. Review the responses to the RFP and prepare a summary comparison of the interest rates, terms, conditions, and covenants from each respondent for the City's review. Apprise the City of the costs and benefits of each proposal.
8. Negotiate the final terms, conditions, and covenants with the selected bank. Review all documents on the City's behalf.
9. Interface with and coordinate communication among the financing team including the City, bond counsel, bank counsel, bond trustee and other parties, as required.
10. Assist bond counsel with its efforts to ensure the tax-exemption of interest on the refunding bonds.
11. Continually apprise the City of the status of the financing, including attending administrative or City Council meetings, as required.
12. Facilitate the closing of the financing with bond counsel, bank counsel, the bond trustee, and the City, as required.

Proposed Fees:

BLX's fee for the services described in 1 through 12 is \$25,000.



Accepted:

CITY OF OCEANSIDE

By:

Print Name:

Title:

Date:
