



DATE: January 2, 2013

TO: Honorable Mayor and City Councilmembers

FROM: City Treasurer's Office

SUBJECT: **AUTHORIZATION FOR THE CITY MANAGER TO EXECUTE A COMMITMENT LETTER TO COMPASS BANK OF ALABAMA FOR THE SALE AND DELIVERY OF THE 2013 CERTIFICATES OF PARTICIPATION (2003 REFUNDING), IN AN AMOUNT NOT TO EXCEED \$13 MILLION, AND AN INTEREST RATE NOT TO EXCEED 2.5 PERCENT**

SYNOPSIS

Staff recommends that the City Council authorize the City Manager to execute a commitment letter to Compass Bank of Alabama for the sale and delivery of the 2013 Certificates of Participation (2003 Refunding), in an amount not to exceed \$13 million, and an interest rate not to exceed 2.5 percent. The letter is in substantially the form as attached.

BACKGROUND

On October 9, 2002, City Council authorized the issuance of Certificates of Participation (COPs) to refund the 1993 Series A COP bonds in order to achieve cost savings due to lower bond market yields. The 1993 Series A COPs refunded the 1988 and 1991 San Luis Rey River Flood Control (Flood Control Project) COPs, and the 1989 Downtown Public Parking Project (Parking Project) COPs. The 1993 COPs also included \$6 million in new funding for additional flood control improvements and police equipment.

On January 7, 2003, the 2003 COPs (1993 Series A Refunding) were issued by the City of Oceanside, through the Oceanside Public Financing Authority, in a par amount of \$25,185,000. The COPs have a maturity date of April 1, 2023, and are eligible to be called on April 1, 2013. The interest rate on the bonds ranges from 3.00 percent to 5.25 percent. The outstanding principal on the bonds is \$15,270,000 as of April 1, 2012. Remaining annual debt service payments range from \$1.21 million to \$2.17 million. The bonds also have a required debt service reserve of \$2.15 million dollars as security on the bonds.

Of the total annual debt service, 75 percent is attributable to the Flood Control Project; the Parking Project makes up the remaining 25 percent of the debt service payment. The annual payments are budgeted from the following City Funds:

- Fund 510 - San Luis Rey River Major Water Course 15%
- Fund 711 - Water Operating 41%
- Fund 101 – General Fund 44 %

The General Fund is responsible for the payment of all of the Parking Project debt (\$544,221 for Fiscal Year 2012-2013) and a portion of the Flood Control Project debt (\$400,000).

ANALYSIS

The 2003 Series A COPS are eligible to be called on April 1, 2013. Due to the current low interest rate environment, staff is recommending refinancing the 2003 Series A COPS. By refinancing the COPS, the City will experience significant annual debt service savings through lower debt service payments.

The total amount of bonds to be refinanced is \$15.27 million, the outstanding principal as of April 1, 2012, plus accrued interest. The reserve fund of \$2.17 million, which will no longer be required, as well as \$1.5 million in one-time revenues per Council Policy 200-13, Section RE-5, will be used to reduce the amount of bonds to be issued. The amount of new bonds that will be issued is approximately \$12.3 million (includes cost of issuance).

Staff, with the assistance of the financing team (comprised of the banking firm Piper Jaffray & Co. and bond counsel firm Stradling, Yocca, Carlson and Rauth), began the process of refinancing the COPS by first determining whether the COPS should be sold through a public offering (sale of bonds on the open market) or through private placement (a negotiated sale of bonds to institutional or private investors). The City has predominately sold bonds through public offerings; however the last bond sale transaction (2011 COPS, Police and Library Facility Refunding) was accomplished through private placement. Private placement transactions are typically less expensive than public offerings (lower cost of issuance fees) and do not require reserves as a credit enhancement (less par value to be issued) and, therefore, provide greater cost savings. After examining the two financing scenarios, staff decided to issue the COPS through private placement which provided higher annual savings compared to the public offering alternative.

After private placement financing was selected, Piper Jaffray solicited bids from several financial institutions. Bids from four institutions were received, and based on interest rate indications and various other factors, Compass Bank of Alabama (the Bank) was chosen. The bid (term sheet) is attached.

Based on the awarded bid, the interest rate of the bonds will be approximately 1.60 percent, which is subject to change depending on market conditions. The rate is indexed to 103 basis points (1.03 percent) over the 4-year London Interbank Offered Rate (LIBOR). If the bonds were issued at 1.60 percent, the net present value savings would be \$2.28 million, or 14.98 percent. Annual average cash flow savings are estimated at \$592,000.

The bonds will have a ten-year term, with a final maturity date of April 1, 2023. The bonds will be non-callable bonds at the quoted rate. There are prepayment terms available; however the prepayment would be at a high premium. The bonds will not have a reserve fund which is typical of private placement bonds. Instead of the reserve fund serving as security on the bonds, the City is pledging Fire Stations 2 through 6, and the Code Enforcement buildings (602 Civic Center Drive) as security. Because the underlying assets of the 2003 Series A COPs (the flood control channel and the downtown parking lots) are considered non-essential assets, the bank is requiring the City to pledge unencumbered essential assets (fire stations) that are needed to operate the City. Regardless of private placement or publicly offered bonds, the City would have been required to pledge the essential assets as security. The recent bankruptcies filed by some California municipalities have placed leased financing (of which COPs are categorized) under scrutiny. If non-essential assets are pledged, there is no recourse for bond or lien holders if the issuer were to default on the bonds.

City Council is being asked to approve the execution of the commitment letter to the Bank. The execution of the letter commits the City to issue the bonds at the terms set forth by the Bank. Once the letter is signed by the City and the Bank, the interest rate is locked for sixty days. If the City decides not to issue the bonds after the commitment letter is signed, there is a make-whole break funding fee that could exceed \$100,000. The fee calculation is dependent on market conditions and bank expenses incurred.

The not to exceed amounts of \$13 million and 2.5 percent are maximum issuance limits to insure against volatility in the LIBOR index. The inclusion of maximum limits is a standard practice that provides flexibility during bond pricing. If the maximum limits were reached, the City would still realize savings; however not at the assumed level of the quoted interest rate of 1.60 percent. Given the lack of volatility in the bond market, staff does not anticipate significant market movement that would cause the approved maximum interest rate to be reached.

Finalized bond documents and contract agreements will be approved by City Council by resolution at a future meeting. The final issuance amounts will be known at that time and more specific annual savings will be available.

FISCAL IMPACT

The anticipated savings through the refinancing of the 2003 COPs is approximately \$592,000 annually given current market conditions and preliminary indications from the Bank. The savings are based on the quoted 1.60 percent interest rate that is subject to

market conditions. The annual savings per fund (based on current debt service payment allocation) is estimated as follows:

Estimated Annual Savings by Fund		
Fund Name	Allocation	Amount
Fund 510 – SLRR Water Course	15%	\$ 88,800
Fund 711 – Water Operating	41%	\$242,700
Fund 101 – General Fund	44%	\$260,500
Total Estimated Annual Savings		\$592,000

The cost of issuing the bonds is estimated at \$150,000 which will cover fees such as placement agent fees, bond counsel fees, trustee fees, lender counsel fees, appraisal fees and title insurance. All fees are paid using bond proceeds.

The debt service payments on the 2013 COPs will be budgeted in Fund 420 – General Debt Service Fund.

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 authorize the City Manager to execute a commitment letter to Compass Bank of Alabama for the sale and delivery of the 2013 Certificates of Participation (2003 Refunding), in an amount not to exceed \$13 million, and an interest rate not to exceed 2.5 percent.

PREPARED BY:



Michele C. Lund, CCMT
Treasury Manager

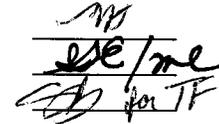
SUBMITTED BY:



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. Commitment Letter – Compass Bank
2. Term Sheet – Compass Bank

Paul Champlin, Vice President
BBVA Compass Bank
4180 La Jolla Village Dr., Ste. 150
La Jolla, CA 92037

December 14, 2012

Peter Weiss, City Manager
City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

Katie Koster, Managing Director
Piper Jaffray & Co.
1100 South Coast Highway, Suite 300A
Laguna Beach, CA 92651

Mr. Weiss and Ms. Koster:

Compass Bank, an Alabama corporation (the "Bank" or "BBVA Compass" or "Lender"), has reviewed the information provided by you in connection with the requested financing for the City of Oceanside (the "City"). Based on the review to-date and subject to the timely receipt of a signed copy of this letter as indicated below, and satisfying the conditions outlined herein, the Bank is pleased to commit to provide up to \$ _____ for tax-exempt term financing as outlined in the attached term sheet (the "Term Sheet") incorporated herein by reference (the "Financing" or "Obligation"), subject to the terms and conditions of this letter and the Term Sheet (together, this "Commitment Letter").

City hereby represents and covenants (and it is a condition to the Bank's commitment hereunder) that (a) all financial information and projections, and all other information and general economic or specific industry information (the "Information") that has been or will be made available to the Bank by City or any of City's representatives is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made. City agrees that if at any time prior to the closing of the Financing any of the representations in the preceding sentences would be incorrect if the Information were being furnished, and such representations were being made, at such time, then City will promptly supplement the Information, as the case may be, so that such representations will be correct at such time. City understands and acknowledges that in arranging the Financing the Bank may use and rely on the Information without independent verification thereof. Notwithstanding anything herein to the contrary, Bank's obligation to provide the Financing and City's obligation to consummate the Financing shall be subject to the condition precedent that from the date hereof to the date of delivery of the Financing, there shall not have occurred any: (i) material adverse change in the financial condition or general affairs of the City; (ii) event, court

decision, proposed law or rule which may have the effect of changing the federal income tax incidents of the City or of the ownership of the Financing 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 the Bank’s opinion, the market value of the Financing (items i, ii, and iii each constituting a “Termination Event”).

By signing below, City acknowledges and agrees to the terms and conditions of this Commitment Letter. By signing this Commitment Letter, City acknowledges that the rate is being locked-in for the financing and if City elects to not go through with the Financing or a Termination Event occurs, City agrees to pay upon demand to the Bank all fees and expenses (including, but not limited to, all costs and fees of external legal counsel and, if applicable, any break funding fees as defined in the attachment) in connection with this Commitment Letter and the Financing (and the negotiation, documentation and closing thereof). To accept this Commitment Letter, please execute it in the space provided below and return this Commitment Letter to us by no later than 5 p.m., Pacific Standard Time, on _____, 2012; if this Commitment Letter is not accepted in the manner aforesaid, it shall expire and be of no further force and effect as of that date and time. If this Commitment Letter is accepted in the manner aforesaid, the closing and funding of the Financing must occur by no later than 5:00 p.m., Pacific Standard Time, on _____, 2012.

We would appreciate the opportunity to discuss this Commitment Letter with you at your earliest convenience. Please do not hesitate to contact me should you have any questions or if I may be of further assistance.

Sincerely,

Paul Champlin Date
Vice President, Relationship Manager
BBVA Compass Bank

ACCEPTED and AGREED on behalf of the CITY OF OCEANSIDE:

Signature Printed Name Title Date

TERM SHEET

CITY:	City of Oceanside ("City").
BANK:	<p>BBVA Compass Bank, through Compass Mortgage Corporation (the "Bank")</p> <p>Paul Champlin, Vice President West Region Commercial Banking 4180 La Jolla Village Dr., Ste. 150 La Jolla, CA 92037 Ph: (858) 202-5525 paul.champlin@bbvacompass.com</p> <p>James Manning, Vice President Government & Institutional Banking 2850 E. Camelback Rd., Ste. 140 Phoenix, CA 85016 Ph: (602) 778-0795 james.manning@bbvacompass.com</p>
FACILITY:	\$ _____ Non-Bank Qualified Refunding Abatement Financing Agreement
PURPOSE:	To refund the City of Oceanside 2003 Certificates of Participation.
REPAYMENT/ MATURITY:	Obligation will amortize for approximately 10 years with semi-annual payments of principal and interest coming due in substantially the same amortization schedule as provided herein (see schedule).
RATE:	Tax Exempt Fixed Rate ____%.
PREPAYMENT PROVISION:	The Obligation is non pre-payable at the indicative rate. The option to pre-pay at 5 or 7 years is available at a premium to be added to the interest rate (and index) of 28 basis points for the option to prepay without premium in year 5 and 21 basis points for the option to prepay without premium in year 7.
FEES:	<p>No origination fee</p> <p>City to pay legal expenses of \$ _____ for review of documentation by Bank's counsel.</p> <p>City to pay all fees associated with the financing including, but not limited to, CDIAAC fees, title policy fees, and any fees associated with bond counsel, placement agent or financial advisory services.</p>
SECURITY:	The obligation will be issued as an abatement lease obligation of the City of Oceanside, repayable through lease rental payments from any legally available sources of revenues of the City.

	<p>Obligation to be secured by a leasehold interest in the following properties located within the City of Oceanside:</p> <ol style="list-style-type: none"> 1. Fire Station X located at _____ 2. Fire Station X located at _____ 3. Fire Station X located at _____ 4. Fire Station X located at _____ 5. Fire Station X located at _____ 6. _____ building located at _____ 7. _____ building located at _____ <p>An appropriate policy of title insurance will be required and interest in the Ground Lease.</p>
<p>DOCUMENTATION:</p>	<p>The final documentation will include, among other things the following financial and reporting covenants:</p> <p><u>Financial Reporting Requirements:</u></p> <ol style="list-style-type: none"> 1) City to provide Annual CPA Audited financial statements within 210 days of fiscal year end. 2) City to provide approved operating budget annually within 30 days of fiscal year end. 3) City shall furnish at Bank’s request such additional information that Bank may from time to time reasonably request. <p><u>Representations, Warranties and Additional Covenants:</u></p> <ol style="list-style-type: none"> 1) Standard representations including but not limited to: no adverse litigation, no defaults or non-appropriations, and indemnification from hazardous materials. 2) Notices of (i) default, (ii) material litigation, (iii) material governmental proceedings. 3) Additional representations and warranties, and other affirmative and negative covenants that Bank considers customary and reasonably appropriate to the transaction, as well as customary events of default. 4) City to covenant to take all such actions as may be necessary to include all lease rental payments and all annual insurance premiums required to insure the leased property, in each of its annual budgets during the term of the Financing, and to make the necessary annual appropriations for all such lease payments. 5) City will maintain insurance naming Bank as additional insured as is typical for a financing of this nature including but not limited to a 24 month rental interruption insurance policy on the subject property. 6) City to maintain, repair, and make replacements to the leased property in a timely manner at its own cost and expense, so as to fully maintain the full property in a good condition for use as intended. 7) City to keep the leased property free and clear of all liens, charges and encumbrances other than those permitted by Bank; to pay for all utilities and related charges for the leased property 8) City to certify that the leased property meets or exceeds the seismic building

	<p>code requirements of the State of California.</p> <p>9) Tax exempt interest rate will be subject to gross-up upon an event of taxability, change in law, or change in corporate tax rates.</p> <p>This Obligation is being purchased by BBVA Compass under the following conditions: 1) not being registered or otherwise qualified for sale under the “Blue Sky“ laws, 2) the Bank will hold as one single debt instrument, 3) no CUSIP numbers will be obtained for the Obligation, 4) no official Statement or similar offering document has been prepared in connection with the private placement of this Obligation, 5) the Obligation will not close through the DTC or any similar repository and will not be in book entry form. Obligation must be able to be classified as a loan or held-to-maturity security in order to be acceptable to the Bank.</p>
<p>TRANSACTION COSTS:</p>	<p>By execution and return of this Commitment Letter, City will be responsible for the following, whether or not the Financing closes: (i) all of its closing costs, (ii) all out-of-pocket fees and expenses incurred by the Bank in connection with the Financing, including, without limitation, actual out-of-pocket fees and expenses associated with engagement of outside counsel not to exceed \$_____ and, if applicable, any break funding fees calculated in accordance with the make-whole language (attached) (iii) City will indemnify and hold harmless the Bank and its affiliates, officers, directors, employees and agents (each an “<u>Indemnified Person</u>”) against all claims, costs, damages, liabilities and expenses (each a “<u>Claim</u>”) which may be incurred by or asserted against any of them in connection with this Commitment Letter, the Financing, or the matters contemplated in this Commitment Letter, and will reimburse each Indemnified Person, upon demand, for any legal or other expenses incurred in connection with investigating, defending or participating in any Claim, or any action or proceeding relating to any Claim, except for Bank’s gross negligence or willful misconduct; and (iv) City waives any right to a jury trial in any action or proceeding brought by or against the Bank.</p>
<p>CONDITIONS PRECEDENT:</p>	<p>The closing of the Financing will be conditioned upon: (i) the prior execution and delivery of final documents which are acceptable in form and content to the Bank and its counsel, (ii) the satisfaction of all conditions precedent in a matter satisfactory to the Bank, and (iii) the Bank’s determination that there has not occurred any material adverse change in the business, condition or prospects of City. In addition, the closing of the Financing will be conditioned upon the Bank’s receipt or completion, as applicable, of the following, each of which must be satisfactory to the Bank in form and substance:</p> <ul style="list-style-type: none"> • Opinion addressed to the Bank, from counsel to City reasonably acceptable to the Bank, setting forth such opinions as the Bank may require, including opinions concerning the legal status of City, the due authorization, execution and delivery of the financing documents, the enforceability of the financing documents, no conflict with law, no litigation, and the receipt of all necessary governmental approvals. • The Bank not becoming aware after the date hereof of any information not previously disclosed to the Bank affecting City or the Financing that in the

	<p>Bank's judgment is inconsistent in a material and adverse manner with any such information disclosed to the Bank prior to the date hereof.</p> <ul style="list-style-type: none">• Review and approval by the Bank's counsel of the legal documents.• <u>Tax Opinion</u>: Opinion addressed to the Bank from counsel reasonably acceptable to the Bank that interest payable on the Facility is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code.
ANCILLARY BANKING SERVICES:	City to agree to meet with Bank representatives to discuss other potential banking services which Bank may provide to the City. City is not obligated to agree to the use of other banking services.
GOVERNING LAW:	This transaction shall be governed by and construed in accordance with the laws of the State of California.

Make-Whole Break Funding Fee Calculation

If City elects to not go through with the Financing other than due to a Force Majeure Event (as defined below) or due to the occurrence of a Termination Event, City shall pay to Bank a break-funding fee equal to the Annual Yield Differential (as defined below) multiplied by the Percent Being Prepaid (as defined below), multiplied by the Average Remaining Outstanding Principal Amount (as defined below) multiplied by the number of days the Financing was to be outstanding (the "Maturity Date"), divided by 360.

The "Annual Yield Differential" is the difference (but not less than zero) between the U.S. Treasury yield (from the Federal Reserve daily H.15 report) on the maturity closest to the final maturity of the note at time of rate lock, and the U.S Treasury yield (from the Federal Reserve daily H.15 report) on the maturity closest to the final maturity of the note at the date of notification of election to not enter into the Financing. The Average Remaining Outstanding Principal Amount of the loan is defined as the simple average of the original principal loan balance and the loan balance due at the maturity date. The Percent Being Prepaid shall be determined by dividing the principal amount being prepaid by the existing principal loan amount.

If treasury rates are equal or higher, the customer will incur no charge.

The Federal Reserve H.15 report for treasury rates can be accessed from the Fed's website currently <<http://www.federalreserve.gov/releases/h15/current/default.htm>>.

Example:

Loan amount at origination: \$5.0 million

Final maturity: 15 years

Amount Remaining at Maturity: \$0.0

15-year US Treasury Rate at time of rate lock: 2.50%

15 days prior to closing and funding, the customer elects to not enter into the financing. 15-year Treasury rate at the time of notification is 2.45%.

Prepayment Fee Calculation:

Annual Yield Differential = 5 bps (2.50% - 2.45%)

Percent Being Prepaid = 100%

Average Remaining Outstanding Principal Amount = \$2.5 million (average of existing \$5.0 million and \$0 at maturity)

Days to Maturity / 360 = 15.21 ((15 x 365)/360)

Break Funding Fee = .05% * 100% * \$2.5 million * 15.21 = \$19,010.42

"Force Majeure Event" means acts of God; acts of public enemies; orders of any kind of the government of the United States of America or the State of California or any political subdivision thereof, or any of their departments, agencies or officials; any outbreak of civil or military insurrections, riots or epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; floods; or any other cause or event not insurable or reasonably within the control of City which makes City unable to consummate the Financing or perform its obligations thereunder.

City of Oceanside, California

Summary of Terms and Conditions of Proposed Credit Facilities

Date: November 9, 2012

This summary of indicative terms and conditions is not a commitment to lend, purchase or to provide any other service related to a financing. Any such commitment or undertaking will be issued only in writing subject to appropriate documentation, the terms of which are not limited to those set forth herein. This summary of indicative terms and conditions is intended as an outline of certain of the material terms of a proposed financing and is not intended to summarize all of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive documents, and is subject to, among other things, completion of due diligence and credit approval by BBVA Compass.

Borrower:	City of Oceanside, California (the "City" or the "Borrower")
Lender:	BBVA Compass Bank, through Compass Mortgage Corporation (the "Bank") Paul Champlin, Vice President West Region Commercial Banking 4180 La Jolla Village Dr., Ste. 150 La Jolla, CA 92037 Ph: (858) 202-5525 paul.champlin@bbvacompass.com James Manning, Vice President Government & Institutional Banking 2850 E. Camelback Rd., Ste. 140 Phoenix, CA 85016 Ph: (602) 778-0795 james.manning@bbvacompass.com
Facilities:	\$14,000,000 Non-Bank Qualified Refunding Abatement Lease Agreement
Purpose:	To refund the City of Oceanside 2003 Certificates of Participation.
Repayment/Maturity:	Obligation will amortize for approximately 10 years with semi-annual payments of principal and interest coming due in substantially the same amortization schedule provided with the original term sheet (see sample schedule).
Rate	Tax Exempt Fixed Rate 1.60%. The rate is indicative and subject to change daily depending on market conditions. Rate indexed to 103 basis points over 4 year Libor. Upon formal credit approval, BBVA Compass will provide a Commitment Letter. Fixed rate may be locked up to 60 days prior to closing upon formal acceptance of Commitment and rate lock Letter by the Borrower.
Prepayment:	The Obligation is non pre-payable at the indicative rate. The option to pre-pay at 5 or 7 years is available at a premium to be added to the interest rate (and index) of 28 basis points for the option to prepay without premium in year 5 and 21 basis points for the option to prepay without premium in year 7.
Upfront Fee:	No origination fee.

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This term sheet does not represent a commitment to lend and may not be relied upon as such.

Security:	<p>The obligation is proposed to be issued as an abatement lease obligation of the City of Oceanside, repayable through lease rental payments from any legally available sources of revenues of the Borrower.</p> <p>Obligation to be secured with a leasehold interest in property valued in excess of the loan amount. It is expected that the property will comprise of five (5) fire stations and two (2) buildings. An appropriate policy of title insurance will be required.</p>
Covenant	<p>City to covenant to take such action as may be necessary to include all lease payments in its annual budgets and to make the necessary annual appropriations for all such lease payments.</p> <p>The Lease Agreement with the City shall include affirmative covenants including but not limited to (i) to repair and make replacements to the leased property at its own cost and expense, so as to fully maintain the full property in a good condition for use as intended; (ii) to keep the leased property free and clear of all liens, charges and encumbrances other than those permitted by Bank; (iii) to pay for all utilities and related charges for the leased property; (iv) adequately insure the lease property as documented with the Bank named as the additional insured, under the Lease Agreement and make annual insurance payments on time; (v) maintain 24 month Rental Interruption Insurance to mitigate the risks of abatement; and (vi) certification that the leased property meets or exceeds the seismic building code requirements of the State of California. The City will indemnify the Bank and its officers against all and any liabilities that might arise related to the Lease Transaction.</p>
Financial Reporting:	<ul style="list-style-type: none"> • Annual audited financial statements due within 210 days of fiscal year end. • Annual budget due within 30 days of fiscal year end. • Borrower shall furnish at Lender's request such additional information that Lender may from time to time reasonably request.
Tax Exempt Status/Yield Adjustment Event:	<p>This tax exempt interest rate will be subject to gross- up upon an event of taxability.</p>
Closing Costs:	<p>Borrower will pay all reasonable, out-of-pocket costs and expenses incurred by Lender in connection with due diligence and the preparation of documentation, regardless of whether or not the Obligations are closed, including but not limited to, financial advisory fees, bond counsel, Lender's counsel, CDIAC and title policy fees.</p> <p>Lender's Counsel expected to be approx. \$12,500.</p>
Conditions Precedent:	<p>Prior to the purchase of the Obligations, the following conditions precedent shall have occurred, all of which shall be in form and substance satisfactory to the Lender and its counsel.</p> <ul style="list-style-type: none"> • Formal credit approval from the Bank. • Review of preliminary title policy. • Opinions of bond counsel and City's counsel addressing items bank feels is customary to facilities including opinion as to tax-exempt and non bank-qualified nature of the facilities. • Insurance requirements. • Properly executed documents in form and substance satisfactory to bank and/or bank's counsel evidencing or supporting the Facilities. • Additional conditions precedent that bank considers customary and reasonably appropriate for the Facilities.

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Credit Approval Requirements:

This indicative term sheet is being provided prior to formal credit approval of the Bank. The following information is needed to complete underwriting and for presentation to the credit committee and considered for formal approval:

- Information regarding the impact of the dissolution of the RDA on the City's general operations.
- Information regarding fluctuations in revenues and expenses for past few years
- FY 12 YTD audited financial statements
- Any other information which Lender may attach significance to in determining the credit-worthiness of the Borrower.

Representations/Warranties/ Covenants:

The documents will contain those representations and warranties and covenants customarily found in transactions of this nature, and others appropriate to the transaction, including but not limited to:

- Standard representations including but not limited to: no adverse litigation, no defaults or non-appropriations, indemnification from hazardous materials.
- Maintenance of standard levels of insurance including rental interruption insurance
- Notices of (i) default, (ii) material litigation, (iii) material governmental proceedings.
- Additional representations and warranties, and other affirmative and negative covenants that bank considers customary and reasonably appropriate for the Facilities.
- Bank will sign a traveling "big boy" letter in form acceptable to bank's counsel.

This Obligation is being purchased by BBVA Compass under the following conditions: 1) not being registered or otherwise qualified for sale under the "Blue Sky" laws 2) the Lender will hold as one single debt instrument, 3) no CUISP numbers will be obtained for the Obligation, 4) no official Statement or similar offering document has been prepared in connection with the private placement of this Obligation, 5) the Obligation will not close through the DTC or any similar repository and will not be in book entry form. Obligation must be able to be classified as a loan as opposed to a security in order to be acceptable to the Lender.

**Note, all of the foregoing are subject to Lender's receipt and satisfactory review.*

Governing Law:

This transaction shall be governed by and construed in accordance with the laws of the State of California.

This term sheet is issued in reliance on the accuracy of all information, representations, schedules, and other data and materials submitted by Borrower, all of which are deemed material. This term sheet does not contain all of the terms and conditions or other provisions that may be included in the final documents evidencing the Obligations, and is issued at a time before Lender has undertaken a full business, credit, and legal analysis of Borrower and the Obligations..

The terms and provisions of this correspondence are confidential and may not be disclosed by Borrower to any other person or entity. However, the foregoing restrictions on disclosure shall not apply to disclosure(s): (i) to Borrower's legal counsel or financial advisor for purposes of advising Borrower with respect hereto and provided, however, that such counsel and financial advisor agree to preserve the confidentiality of this correspondence; or (ii) in response to any properly issued subpoena from any court or other governmental authority with jurisdiction over Borrower, provided that Lender has been furnished reasonable advance notice of the intended disclosure and the opportunity to prevent or limit the scope of any such disclosure.

This term sheet is intended for the sole and exclusive benefit of Borrower and Lender and may not be relied upon by third parties.

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This term sheet does not represent a commitment to lend and may not be relied upon as such.

City of Oceanside

\$13,513,760 Refunding Lease Agreement

Dated: February 01, 2013

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/01/2013	1,643,293.00	1.60%	36,036.69	1,679,329.69	
10/01/2013	721,953.00	1.60%	94,963.74	816,916.74	
12/31/2013					2,496,246.43
04/01/2014	721,953.00	1.60%	89,188.11	811,143.11	
10/01/2014	739,683.00	1.60%	83,412.47	823,095.47	
12/31/2014					1,634,238.58
04/01/2015	739,682.00	1.60%	77,495.01	817,177.01	
10/01/2015	758,392.00	1.60%	71,577.55	829,969.55	
12/31/2015					1,647,146.56
04/01/2016	758,391.00	1.60%	65,510.42	823,901.42	
10/01/2016	775,457.00	1.60%	59,443.29	834,900.29	
12/31/2016					1,658,801.70
04/01/2017	775,458.00	1.60%	53,239.63	828,697.63	
10/01/2017	795,872.00	1.60%	47,035.97	842,907.97	
12/31/2017					1,671,605.60
04/01/2018	795,872.00	1.60%	40,668.99	836,540.99	
10/01/2018	688,636.00	1.60%	34,302.02	722,938.02	
12/31/2018					1,559,479.01
04/01/2019	688,636.00	1.60%	28,792.93	717,428.93	
10/01/2019	348,967.00	1.60%	23,283.84	372,250.84	
12/31/2019					1,089,679.77
04/01/2020	348,966.00	1.60%	20,492.10	369,458.10	
10/01/2020	359,647.00	1.60%	17,700.38	377,347.38	
12/31/2020					746,805.48
04/01/2021	356,647.00	1.60%	14,823.20	371,470.20	
10/01/2021	369,158.00	1.60%	11,970.02	381,128.02	
12/31/2021					752,598.22
04/01/2022	369,158.00	1.60%	9,016.76	378,174.76	
10/01/2022	377,468.00	1.60%	6,063.50	383,531.50	
12/31/2022					761,706.26
04/01/2023	377,469.00	1.60%	3,043.75	380,512.75	
12/31/2023					380,512.75
Total	\$13,510,760.00		\$888,060.37	\$14,398,820.37	

BBVA Compass

Public Finance

This term sheet does not represent a commitment to lend and may not be relied upon as such.