



DATE: April 3, 2013

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

FROM: City Treasurer's Office

SUBJECT: **ADOPTION OF RESOLUTIONS AUTHORIZING THE ISSUANCE OF SEWER REVENUE REFUNDING BONDS, SERIES 2013A, BY THE OCEANSIDE PUBLIC FINANCING AUTHORITY, IN AN AMOUNT NOT TO EXCEED \$18,000,000, AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS AND DIRECTING CERTAIN ACTIONS IN CONNECTION THEREWITH**

SYNOPSIS

Staff recommends that the City Council and Oceanside Public Financing Authority adopt resolutions authorizing the issuance of Sewer Revenue Refunding bonds, Series 2013A, by the Oceanside Public Financing Authority, in an amount not to exceed \$18,000,000, and authorizing the execution of certain documents and directing certain actions in connection therewith.

The following documents pertaining to the sale of the bonds, in substantially the form as attached, will be approved as part of the resolutions: Preliminary Official Statement, Continuing Disclosure Agreement, Installment Purchase Agreement, Bond Purchase Agreement, Assignment Agreement, Escrow Agreements, and Indenture of Trust. The bond's proceeds will be used to refund the existing 1993 State Revolving Loan (Odor Control Project), the 2003 Sewer Revenue Refunding Certificates of Participation (COPs), the 2008 Sewer Revenue Refunding COPs and provide funds for the replacement of the Supervisory Control and Data Acquisition (SCADA) system for both treatment plants and all the sewer lift stations.

BACKGROUND

In 1994, the City entered into a loan agreement with the State of California Water Resources Control Board in the amount of \$10,045,329 to construct upgrades to the San Luis Rey Wastewater Treatment Plant to control odors and improve process performance. The loan has a maturity date of November 14, 2016, and an interest rate of 2.70 percent. The outstanding principal on the loan is \$1,872,556 as of November 14, 2012. Debt service payments are \$658,191 per year.

On March 5, 2003, City Council authorized the issuance of Certificates of Participation (COPs) to refund the 1993 Wastewater System Refunding COPs in order to achieve cost savings due to lower bond market yields. The 1993 Wastewater COPs refunded the 1991 La Salina Treatment Plant COPs that were issued to finance capital improvements to the La Salina Wastewater Treatment Plant.

On March 31, 2003, the 2003 COPs (1993 Wastewater System Refunding Project) were issued by the City of Oceanside, through the Oceanside Public Financing Authority (OPFA), in a par amount of \$11,080,000. The COPs have a maturity date of May 1, 2023, and are eligible to be called on May 1, 2013. The interest rate on the bonds ranges from 4.00 percent to 5.25 percent. The outstanding principal on the bonds is \$6,515,000 as of May 1, 2012. Remaining debt service payments average \$908,000 per year.

On November 12, 2008, City Council authorized the issuance of Revenue Refunding Certificates of Participation (COPs) to refund the 1998 Water Reuse Financing Authority Variable Rate Demand Bonds in order to avoid a technical default on the bonds due to circumstances brought about by the 2008 financial crisis. The 1998 bonds financed capital improvements related to the expansion of the San Luis Rey Wastewater Treatment Plant.

On December 18, 2008, the 2008 Revenue Refunding COPs were issued by the City of Oceanside, through the OPFA, in a par amount of \$10,540,000. The COPs have a maturity date of May 1, 2028, and are eligible to be called on May 1, 2013. The interest rate on the bonds ranges from 4.25 percent to 6.50 percent. The outstanding principal on the bonds is \$9,340,000 as of May 1, 2012. Remaining debt service payments average \$934,000 per year.

ANALYSIS

The Sewer Department's debt portfolio consists of two State of California revolving fund loans (the 1993 SRF Odor Control Loan and the 2002 SRF San Luis Rey Treatment Plant Expansion Loan) and two bond issues (the 2003 Wastewater System COPs and the 2008 Revenue Refunding COPs). Both the 2003 and 2008 COPs are callable in May 2013, which provides an opportunity to refinance the department's debt in the current low interest rate environment to achieve cost savings through lower debt service payments. Staff also analyzed the two SRF Loans as potential refinancing candidates. Staff determined that refinancing the 1993 SRF Odor Control Loan would also provide savings, and has included the loan in the refunding package. The 2002 SRF San Luis Rey Treatment Plant Expansion Loan did not produce any cost savings at this time.

In addition to refinancing the existing debt, the Sewer Department is taking the opportunity to issue additional bonds in order to obtain funds for the replacement of the Supervisory Control and Data Acquisition (SCADA) system for both treatment plants

and all the sewer lift stations. The amount of new bond proceeds is approximately \$1 million.

The bonds will be sold on a public offering basis (sale of bonds on the open market), by Stifel, Nicolaus & Company, Inc. (Underwriter), pursuant to a purchase contract among the Underwriter, the City and the OPFA. The sale of the bonds will be conducted in mid-April. Based on the advice of the Underwriter, the bonds will be issued as revenue bonds by the OPFA rather than certificates of participation. The Underwriter has advised the City that certificates of participation currently have a "market penalty" as compared to bonds. The underlying obligation of the City is the obligation to make installment payments pursuant to the Installment Purchase Agreement. This obligation would be the same regardless of type of issuance. The City is utilizing the assistance of a pricing advisor during the sale to ensure the best interest rate possible is obtained at the time of pricing. The firm selected to act as price advisor is BLX Group LLC.

The estimated par amount of bonds to be sold is \$15.35 million. The bonds will have a May 1, 2028 maturity date, including an option to call the bonds in May 2024. Based on current municipal bond market rates, the estimated all-in interest rate (includes issuance costs estimated at \$283,000) on the bonds is 2.75 percent. Annual debt service payments would be \$2.1 million the first three years; \$1.56 million the following 5 years; and \$790,000 for the final seven years. The net present value savings over the life of the refunded debt, inclusive of the additional bond proceeds, is estimated at \$3 million, or 18 percent. The estimated annual debt service savings ranges from \$260,000 to \$360,000 per year. The final savings will be determined at bond pricing.

An additional factor affecting the anticipated interest rate of the bonds is the underlying credit rating on the current Sewer debt. When the 2008 COPs were issued, the City obtained a rating on the bonds from Standard and Poor's (a nationally recognized statistical rating organization). The bonds received an A+ rating, even with marginal debt service coverage. Since 2008, City Council approved rate increases to provide the required debt service coverage as stipulated in the bond covenants. These consistent rate increases also provided for growth in rate coverage, which enhanced the overall debt profile for the Sewer Fund. As a result of City Council's diligence in raising rates, the City will present a case to Standard and Poor's, requesting an upgraded credit rating. If an enhanced credit rating is obtained, lowered borrowing costs (in the form of a reduced interest rate) are to be expected. The Official Statement (the disclosure document for bond holders) includes Sewer Fund operating and capital expenditure estimates for the next five Fiscal Years. These estimates include annual 4 percent increases to sewer rates which are necessary to maintain the required rate coverage, to ensure adequate renewal and reinvestment in infrastructure, and to keep current with growth of the system. Staff will bring forward sewer rate proposals under separate actions.

City Council is being asked to adopt resolutions that authorize the issuance of the bonds, in a par amount not to exceed \$18 million. The not-to-exceed bond issuance amount of \$18 million is a maximum issuance limit; a standard practice in municipal

bond issuance. The maximum issuance limit provides flexibility in the event any unforeseen costs arise prior to the bond closing date. The resolutions also authorize the execution and delivery of bond documents related to the sale of the bonds (such as the Preliminary Official Statement, Continuing Disclosure Agreement, Installment Purchase Agreement, Bond Purchase Agreement, Assignment Agreement, Escrow Agreements, and Indenture of Trust). The documents approved by Council will be finalized and executed at bond closing in April 2013, with the exception of the Bond Counsel Agreement and the Price Advisor Agreement that will be executed upon approval by City Council.

FISCAL IMPACT

The net present value savings over the life of the refunded debt, inclusive of the additional bond proceeds, is estimated at \$3 million, or 18 percent. The annual debt service savings ranges from \$260,000 to \$360,000 per year. The estimates are based on current market conditions. The final savings will be determined at the time of pricing the bonds.

The bond issuance costs are paid using bond proceeds and have been factored into the estimated savings from the refunding.

Debt Service on the Bonds is payable from revenues of the City's Sewer System. Pursuant to the Installment Purchase Agreement, the City will covenant to set rate and charges for Sewer Service so that Net Sewer Revenues will equal at least 125% of Debt Service in each year. The General Fund is not obligated to make payments on the Bonds.

The debt service payments on the 2013 Sewer Revenue Refunding Bonds will be budgeted in Fund 727 – Sewer Debt Fund. Sewer service fees received from customers are pledged to cover the annual debt service payment. The revenues are also budgeted in Fund 727.

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

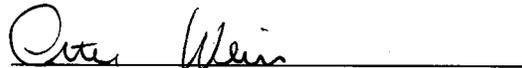
Staff recommends that the City Council and Oceanside Public Financing Authority adopt resolutions authorizing the issuance of Sewer Revenue Refunding bonds, Series 2013A, by the Oceanside Public Financing Authority, in an amount not to exceed \$18,000,000, and authorizing the execution of certain documents and directing certain actions in connection therewith.

PREPARED BY:



Michele C. Lund, CCMT
Treasury Manager

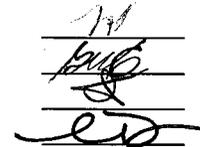
SUBMITTED BY:



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
Cari Dale, Water Utilities Director



Attachments

1. Resolution of the City Council of the City of Oceanside authorizing the issuance by the Oceanside Public Financing Authority of Sewer Revenue Refunding Bonds in an aggregate principal amount not to exceed \$18,000,000 and approving certain documents in connection therewith
2. Resolution of the Board of Directors of the Oceanside Public Financing Authority authorizing the issuance of Sewer Revenue Refunding Bonds, Series 2013A, not to exceed \$18,000,000 and approving the execution of certain documents and authorizing certain actions in connection therewith
3. Preliminary Official Statement
4. Continuing Disclosure Agreement between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Dissemination Agent (Attached as Appendix E to the Preliminary Official Statement)
5. Indenture of Trust between the Oceanside Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee

6. Installment Purchase Agreement between the Oceanside Public Financing Authority and the City of Oceanside
7. Assignment Agreement between the Oceanside Public Financing Authority, the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Trustee
8. Purchase Contract among the City of Oceanside and the Oceanside Public Financing Authority and Stifel, Nicolaus & Company, Incorporated as Underwriter
9. 2003 Escrow Agreement between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent
10. 2008 Escrow Agreement between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent
11. Bond Counsel Agreement between the City of Oceanside and Stradling, Yocca, Carlson & Rauth

ATTACHMENT 1

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE
AUTHORIZING THE ISSUANCE BY THE OCEANSIDE PUBLIC
FINANCING AUTHORITY OF SEWER REVENUE REFUNDING BONDS IN
AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$18,000,000
AND APPROVING CERTAIN DOCUMENTS IN CONNECTION
THEREWITH**

WHEREAS, the City of Oceanside (the "City") is a chartered city and municipal corporation duly organized and existing under and pursuant to its charter and the Constitution and laws of the State of California (the "State");

WHEREAS, the City proposes to undertake the refinancing of the acquisition of certain improvements, betterments, renovations, and expansions of facilities within its sewer system (the "1991 Project");

WHEREAS, the City and the Oceanside Building Authority have previously entered into an Installment Sale Agreement, dated as of May 1, 1993 (the "1993 Installment Sale Agreement") in order to assist the City in financing the 1991 Project;

WHEREAS, the Oceanside Public Financing Authority (the "Authority") previously agreed to assist the City in refinancing the 1991 Project and to prepay the City's obligations to make installment payments pursuant to the 1993 Installment Sale Agreement;

WHEREAS, the City and the Authority previously entered into an Installment Purchase Agreement, dated as of March 1, 2003 (the "2003 Installment Purchase Agreement"), in order to assist the City in refinancing the 1991 Project;

WHEREAS, pursuant to Section 7.01 of the 2003 Installment Purchase Agreement, the City proposes to prepay its obligations to make certain installment payments under the 2003 Installment Purchase Agreement;

WHEREAS, the City proposes to undertake the refinancing of the acquisition of certain improvements, betterments, renovations, and expansions of facilities within its sewer system (the "2000 Project");

1 WHEREAS, the City and the Watereuse Finance Authority previously entered into an
2 Installment Purchase Contract, dated as of April 1, 2000 (the “2000 Installment Purchase Contract”)
3 in order to assist the City in financing the 2000 Project;

4 WHEREAS, the Authority previously agreed to assist the City in refinancing the 2000
5 Project and to prepay the City’s obligations to make installment payments pursuant to the 2000
6 Installment Purchase Contract;

7 WHEREAS, the City and the Authority previously entered into an Installment Purchase
8 Agreement, dated as of December 1, 2008 (the “2008 Installment Purchase Agreement”), in order to
9 assist the City in refinancing the 2000 Project;

10 WHEREAS, pursuant to Section 7.01 of the 2008 Installment Purchase Agreement, the City
11 proposes to prepay its obligations to make certain installment payments under the 2008 Installment
12 Purchase Agreement;

13 WHEREAS, the City entered into a Clean Water State Revolving Fund (CW SRF) Financing
14 Agreement with the State Water Resources Control Board for the purpose of financing certain capital
15 improvements to its sewer system (the “1993 State Loan”);

16 WHEREAS, the Authority has agreed to assist the City in prepaying all amounts due under
17 the 1993 State Loan;

18 WHEREAS, the City proposes to finance the acquisition and construction of certain
19 improvements, betterments, renovations and expansions of facilities within its sewer system (the
20 “2013 Project”);

21 WHEREAS, the City and the Authority have determined that it would be in the best interests
22 of the City and the residents of the City to refinance the 1991 Project and the 2000 Project, to prepay
23 the 1993 State Loan, and to finance the 2013 Project;

24 WHEREAS, the City has determined to request the Authority to issue Sewer Revenue
25 Refunding Bonds (the “Bonds”) for the purpose of refinancing the 1991 Project, refinancing the 2000
26 Project, financing the 2013 Project and prepaying the 1993 State Loan, and to pay costs of issuance
27 in connection therewith;

1 WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act
2 of 1985, commencing with Section 6584 of the California Government Code (the “Act”); and

3 WHEREAS, the City is authorized by Title 4 of the Government Code of the State of
4 California, including, but not limited to Sections 37350 and 40404, to acquire property for its sewer
5 system and to refinance the acquisition of property for its sewer system;

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

7 SECTION 1. Each of the above recitals is true and correct. The City Council hereby
8 further finds and determines that there are significant public benefits to the citizens of the City
9 through the use of the Act to assist the City with respect to the subject matter hereof through the
10 approval of the issuance of the Bonds and otherwise hereunder within the meaning of Section
11 6586(a)-(d), inclusive, of the Act, in that the issuance of the Bonds and related transactions will result
12 in demonstrable savings in effective interest rate to the City.

13 SECTION 2. The issuance by the Authority of the Bonds in the principal amount not to
14 exceed \$18,000,000 (the “Bonds”) to refinance the 1991 Project, refinance the 2000 Project, finance
15 the 2013 Project and prepay the 1993 State Loan, and to pay the cost of issuance thereof is hereby
16 approved.

17 SECTION 3. The Installment Purchase Agreement, in substantially the form on file with
18 the City Clerk, is hereby approved, subject to final approval as to form by the City Attorney and the
19 law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”). The
20 Mayor of the City (the “Mayor”), the City Manager of the City (the “City Manager”) and the
21 Director of Financial Services of the City (the “Director of Financial Services”), the City Treasurer,
22 or their designees (collectively, the “Authorized Officers”), are hereby authorized and directed to
23 execute and deliver such Installment Purchase Agreement with such changes, insertions and
24 omissions as may be approved by Bond Counsel, said Authorized Officers’ execution being
25 conclusive evidence of such approval.

26 SECTION 4. The Continuing Disclosure Agreement with the Bank of New York Mellon
27 Trust Company, N.A., in substantially the form on file with the City Clerk, is hereby approved,
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1 subject to final approval as to form by the City Attorney and Special Counsel. Each of the
2 Authorized Officers is hereby authorized and directed to execute and deliver the Continuing
3 Disclosure Agreement with such changes, insertions and omissions as may be approved by Bond
4 Counsel, said Authorized Officers' execution being conclusive evidence of such approval.

5 SECTION 5. The 2003 Escrow Agreement with the Bank of New York Mellon Trust
6 Company, N.A., in substantially the form on file with the City Clerk, is hereby approved, subject to
7 final approval as to form by the City Attorney and Special Counsel. Each of the Authorized Officers
8 is hereby authorized and directed to execute and deliver the 2003 Escrow Agreement with such
9 changes, insertions and omissions as may be approved by Bond Counsel, said Authorized Officers'
10 execution being conclusive evidence of such approval. The Bank of New York Mellon Trust
11 Company, N.A., is hereby appointed as escrow bank thereunder.

12 SECTION 6. The 2008 Escrow Agreement with the Bank of New York Mellon Trust
13 Company, N.A., in substantially the form on file with the City Clerk, is hereby approved, subject to
14 final approval as to form by the City Attorney and Special Counsel. Each of the Authorized Officers
15 is hereby authorized and directed to execute and deliver the 2008 Escrow Agreement with such
16 changes, insertions and omissions as may be approved by Bond Counsel, said Authorized Officers'
17 execution being conclusive evidence of such approval. The Bank of New York Mellon Trust
18 Company, N.A., is hereby appointed as escrow bank thereunder.

19 SECTION 7. The Purchase Contract with Stifel, Nicolaus & Company, Incorporated, in
20 substantially the form on file with the City Clerk, is hereby approved. Each of the Authorized
21 Officers is hereby authorized and directed to execute and deliver the Purchase Contract with such
22 changes, insertions and omissions as may be approved by the person executing the same, said
23 execution being conclusive evidence of such approval; provided, however, that in no event shall the
24 principal amount of the Bonds exceed \$18,000,000, nor shall the underwriter's discount exceed 1.0%
25 of the principal amount of the Bonds.

26 SECTION 8. The form of the Preliminary Official Statement, presented to this meeting and
27 on file with the City Clerk, is hereby approved. The City Manager, the Director of Financial
28 Services and their designees are hereby authorized to make such changes to the Preliminary Official

1 Statement as are necessary to make it final as of its date and are authorized and directed to execute
2 and deliver a certificate deeming the Preliminary Official Statement final as of its date in accordance
3 with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. Each of the Authorized
4 Officers is hereby authorized and directed to execute, approve and deliver the final Official
5 Statement in the form of the Preliminary Official Statement with such changes, insertions and
6 omissions as the Authorized Officer or Officers executing said document may require or approve,
7 such approval to be conclusively evidenced by the execution and delivery thereof by one or more of
8 the Authorized Officers.

9 SECTION 9. The City Clerk, any Deputy or Assistant City Clerk or persons as may have
10 been designated by the City Manager are hereby authorized and directed to attest the signature of the
11 Authorized Officers designated herein to execute any documents described herein, and to affix and
12 attest the seal of the City, as may be required or appropriate in connection with the execution and
13 delivery of the Purchase Contract, the Installment Purchase Agreement, the 2003 Escrow Agreement,
14 the 2008 Escrow Agreement, the Continuing Disclosure Agreement and the Official Statement.

15 SECTION 10. The City Manager and the Director of Financial Services are each authorized
16 to execute contracts with Stradling Yocca Carlson & Rauth, a Professional Corporation, to act as
17 Bond Counsel to the City and BLX to act as pricing agent, which contracts shall be in substantially
18 the form on file with the City Clerk, together with such changes as may be approved by the City
19 Manager and the Director of Financial Services, the City Attorney, or their designee, which changes
20 shall be deemed approved by the execution and delivery of such contracts by any one of such
21 officers.

22 SECTION 11. The City Manager, the Director of Financial Services or their respective
23 designees are hereby authorized to (i) execute a commitment for municipal bond insurance from a
24 municipal bond insurer (the "Insurer"), (ii) to finalize the form of such policy with the Insurer, and
25 (iii) if it is determined that the policy will result in interest rate savings for the City, to pay the
26 insurance premium of such policy from the proceeds of the issuance and sale of the Bonds. Bond
27 Counsel is hereby directed to make all changes to the Preliminary Official Statement, the Installment
28

1 Purchase Agreement and the Purchase Contract as are necessary to reflect the selection of an Insurer
2 and the reasonable comments thereof.

3 SECTION 12. The Authorized Officers are each hereby authorized and directed, jointly and
4 severally, to do any and all things and to execute and deliver any and all documents which each may
5 deem necessary or advisable in order to consummate the issuance of the Bonds, the refinancing of the
6 1991 Project, the refinancing of the 2000 Project, the financing of the 2013 Project and the
7 prepayment of the 1993 State Loan, and otherwise to carry out, give effect to and comply with the
8 terms and intent of this Resolution, the Bonds, the Installment Purchase Agreement, the Continuing
9 Disclosure Agreement, the 2003 Escrow Agreement, the 2008 Escrow Agreement, the Preliminary
10 Official Statement, and the Official Statement. Such actions heretofore taken by such officers or
11 designees are hereby ratified, confirmed and approved.

12 SECTION 13. Unless otherwise defined herein, all terms used herein and not otherwise
13 defined shall have the meanings given such terms in the Installment Purchase Agreement unless the
14 context otherwise clearly requires.

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

16 PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this
17 _____ day of _____ 2013, by the following vote:

18 AYES:

19 NAYS:

20 ABSENT:

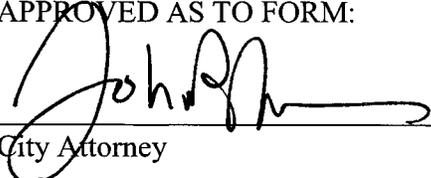
21 ABSTAIN:

22
23
24 _____
MAYOR OF THE CITY OF OCEANSIDE

25 ATTEST:

25 APPROVED AS TO FORM:

26
27 _____
City Clerk

26
27 
28 _____
City Attorney

ATTACHMENT 2

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
OCEANSIDE PUBLIC FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF NOT TO EXCEED
\$18,000,000 SEWER REVENUE REFUNDING BONDS, SERIES
2013A, APPROVING THE EXECUTION OF CERTAIN
DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN
CONNECTION THEREWITH**

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

WHEREAS, the City has requested that the Authority assist the City in prepaying certain outstanding installment payments pursuant to a 2003 Installment Purchase Agreement, dated as of March 1, 2003, by and between the Authority and the City (the "2003 Installment Purchase Agreement"), prepaying certain outstanding installment payments pursuant to a 2008 Installment Purchase Agreement, dated as of December 1, 2008, by and between the Authority and the City (the "2008 Installment Purchase Agreement"), prepaying the payments due under that certain Clean Water State Revolving Fund (CW SRF) Financing Agreement by and between the City and the State Water Resources Control Board (the "1993 State Loan"), and financing certain capital improvements to the City's sewer system (the "2013 Project"); and

WHEREAS, the Board of Directors has determined to assist the City with the prepayment of the installment payments due under the 2003 Installment Purchase Agreement, the prepayment of the installment payments due under the 2008 Installment Purchase Agreement, the prepayment of the 1993 State Loan and the financing of the 2013 Project, and to approve certain documents in connection therewith;

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

SECTION 1. The issuance of the Oceanside Public Financing Authority Sewer Revenue Refunding Bonds, Series 2013A (the "2013A Bonds") in the principal amount not to exceed \$18,000,000 in order to prepay the installment payments due under the 2003 Installment Purchase

1 Agreement, prepay the installment payments due under the 2008 Installment Purchase Agreement,
2 prepay the 1993 State Loan and finance the 2013 Project, and to pay the cost of issuance for the
3 2013A Bonds, is hereby approved.

4 SECTION 2. The Installment Purchase Agreement in substantially the form on file with the
5 Authority is hereby approved. The Chairman, Vice Chairman, Executive Director, Treasurer and
6 Secretary of the Authority, or the Chairman's designee, are hereby authorized and directed to execute
7 and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may
8 be approved by the person executing the same, said execution being conclusive evidence of such
9 approval.

10 SECTION 3. The Indenture of Trust in substantially the form on file with the Authority is
11 hereby approved. The Chairman, Vice Chairman, Executive Director, Treasurer and Secretary of the
12 Authority, or the Chairman's designee, are hereby authorized and directed to execute and deliver the
13 Indenture of Trust with such changes, insertions and omissions as may be approved by the person
14 executing the same, said execution being conclusive evidence of such approval.

15 SECTION 4. The Assignment Agreement in substantially the form on file with the
16 Authority is hereby approved. The Chairman, Vice Chairman, Executive Director, Treasurer and
17 Secretary of the Authority, or the Chairman's designee, are hereby authorized and directed to execute
18 and deliver the Assignment Agreement with such changes, insertions and omissions as may be
19 approved by the person executing the same, said execution being conclusive evidence of such
20 approval.

21 SECTION 5. The Purchase Contract with Stifel, Nicolaus & Company, Incorporated (the
22 "Underwriter"), in substantially the form on file with the Authority is hereby approved. The
23 Chairman, Vice Chairman, Executive Director, Treasurer and Secretary of the Authority, or the
24 Chairman's designee, are hereby authorized and directed to execute and deliver the Purchase
25 Contract with such changes, insertions and omissions as may be approved by the person executing
26 the same, said execution being conclusive evidence of such approval; provided, however, that in no
27 event shall the principal amount of the 2013A Bonds exceed \$18,000,000, nor shall the underwriter's
28 discount exceed 1.0% of the principal amount of the 2013A Bonds.

1 SECTION 6. The preparation and distribution of the Preliminary Official Statement in
2 substantially the form on file with the Secretary of the Board, is hereby approved, subject to final
3 approval as to form by the City Attorney and the law firm of Stradling Yocca Carlson & Rauth, a
4 Professional Corporation (“Bond Counsel”). The Executive Director, or his or her designee, is
5 hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities
6 Exchange Act of 1934 relating to the Preliminary Official Statement, and the Chairman, Vice
7 Chairman, Executive Director, Treasurer and Secretary are hereby authorized and directed to
8 execute, approve and deliver the final Official Statement in the form of the Preliminary Official
9 Statement with such changes, insertions and omissions as may be approved by Bond Counsel, said
10 Authority’s officers’ execution being conclusive evidenced of such approval. The Underwriter is
11 hereby authorized to distribute copies of said Preliminary Official Statement to persons who may be
12 interested in the initial purchase of the 2013A Bonds and is directed to deliver copies of any final
13 Official Statement to all actual initial purchasers of the 2013A Bonds.
14

15 SECTION 7. The Executive Director, the Treasurer or their respective designees are hereby
16 authorized to (i) execute a commitment for municipal bond insurance from a municipal bond insurer
17 (the “Insurer”), (ii) to finalize the form of such policy with the Insurer, and (iii) if it is determined
18 that the policy will result in interest rate savings for the City, to pay the insurance premium of such
19 policy from the proceeds of the issuance and sale of the Bonds. Bond Counsel is hereby directed to
20 make all changes to the Preliminary Official Statement, the Installment Purchase Agreement, the
21 Indenture of Trust and the Purchase Contract as are necessary to reflect the selection of an Insurer
22 and the reasonable comments thereof.
23

24 SECTION 8. The Chairman, Vice Chairman, Executive Director, Treasurer or Secretary
25 and any other proper officer of the Authority are hereby authorized and directed to execute and
26 deliver any and all documents and instruments and to do and cause to be done any and all acts and
27 things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust,
28

1 the Installment Purchase Agreement, the Assignment Agreement, the Purchase Contract, the
2 Preliminary Official Statement and this Resolution.

3 SECTION 9. The Bank of New York Mellon Trust Company, N.A. is hereby appointed to
4 act as trustee under the Indenture of Trust.

5 SECTION 10. Unless otherwise defined herein, all terms used herein and not otherwise
6 defined shall have the meanings given such terms in the Indenture unless the context otherwise
7 clearly requires.

8 SECTION 11. This Resolution shall take effect from and after its date of adoption.

9 PASSED AND ADOPTED by the Board of Directors of the Oceanside Public Financing
10 Authority, California, this ____ day of _____, 2013, by the following vote:

11 AYES:

12 NAYS:

13 ABSENT:

14 ABSTAIN:

15
16
17 CHAIRMAN OF THE OCEANSIDE
PUBLIC FINANCING AUTHORITY

18
19 ATTEST:

APPROVED AS TO FORM:

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21 _____
Secretary

22
23
24
25
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27
28


City Attorney

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: “ ___ ”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original discount) on the 2013A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2013A Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" herein.

§ _____
OCEANSIDE PUBLIC FINANCING AUTHORITY
SEWER REVENUE REFUNDING BONDS, SERIES 2013A

Dated: Date of Delivery

Due: May 1, as shown on the inside cover

The Oceanside Public Financing Authority Sewer Revenue Refunding Bonds, Series 2013A are being issued by the Authority pursuant to an Indenture of Trust, dated as _____ 1, 2013, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and will be payable from the sources described herein. The 2013A Bonds are being issued: (i) to prepay all of the currently outstanding City of Oceanside Revenue Certificates of Participation (1993 Wastewater System Refunding Project), Series 2003; (ii) to prepay all of the currently outstanding City of Oceanside Revenue Refunding Certificates of Participation, Series 2008; (iii) to prepay all amounts due under the 1993 State Loan; (iv) to finance certain improvements to the City’s Sewer System; and (v) to pay the costs of issuing the 2013A Bonds.

Interest due on the 2013A Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2013. The 2013A Bonds are being issued in fully registered book-entry form and initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers will not receive certificates representing their interest in the 2013A Bonds. Individual purchases will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the 2013A Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the 2013A Bonds.

The 2013A Bonds are subject to optional redemption prior to maturity as described in this Official Statement.

The 2013A Bonds are limited obligations of the Authority. The 2013A Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2013A Installment Payments received by the Authority from the City pursuant to an Installment Purchase Agreement, dated as of _____ 1, 2013, by and between the City and the Authority. The obligation of the City to make the Series 2013A Installment Payments is a special obligation of the City payable solely from Net Sewer Revenues on a parity with the obligation of the City to make payments outstanding in the aggregate principal amount of \$33,645,115 in payment of a loan from the State Water Resources Control Board.

The City has covenanted not to incur additional obligations payable from Net Sewer Revenues senior to the Series 2013A Installment Payments. The City may incur additional obligations payable from Net Sewer Revenues on a parity with the Series 2013A Installment Payments and the 2000 State Loan Payments, subject to the terms and conditions set forth in the Installment Purchase Agreement.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2013A BONDS. THE AUTHORITY HAS NO TAXING POWERS. THE 2013A BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY.

MATURITY SCHEDULE
(See inside front cover)

THE OBLIGATION OF THE CITY TO MAKE THE SERIES 2013A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET SEWER REVENUES OF THE CITY AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION THAT THE CITY IS OBLIGATED TO PAY FROM ANY OTHER CITY REVENUES OR 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 MAKE THE SERIES 2013A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for quick reference only. It is not a complete summary of the 2013A Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2013A Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the City with respect to the 2013A Bonds. Certain legal matters will be passed upon for City and Authority by the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, and for the Trustee by its counsel. It is anticipated that the 2013A Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about _____, 2013.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

[STIFEL LOGO]

Dated: _____, 2013

\$ _____[†]
OCEANSIDE PUBLIC FINANCING AUTHORITY
SEWER REVENUE REFUNDING BONDS, SERIES 2013A

MATURITY SCHEDULE

<u>Maturity</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> [†]
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[†] Preliminary; subject to change.

[†] Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The District takes no responsibility for the accuracy of such data.

**CITY OF OCEANSIDE
COUNTY OF SAN DIEGO, CALIFORNIA**

CITY COUNCIL AND OCEANSIDE PUBLIC FINANCING AUTHORITY

Jim Wood, *Mayor and Chair*
Jack Feller, *Deputy Mayor and Vice Chair*
Esther C. Sanchez, *Council Member and Authority Member*
Gary Felien, *Council Member and Authority Member*
Jerome M. Kern, *Council Member and Authority Member*

CITY OFFICIALS

Peter A. Weiss, *City Manager*
Teri Ferro, *Director of Financial Services*
Cari Dale, *Water Utilities Director*
John P. Mullen, *City Attorney*
Zack Beck, *City Clerk*
Gary Ernst, *City Treasurer*
Michele Lund, *Treasury Manager*

BOND COUNSEL AND DISCLOSURE COUNSEL

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

TRUSTEE

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

VERIFICATION AGENT

Grant Thornton, LLP
Minneapolis, Minnesota

Table of Contents

INTRODUCTION.....	1	<u>Operating Reserve Policy.....</u>	<u>21</u>
THE REFUNDING PLAN.....	3	Historic Operating Results and	
THE PROJECT	3	Debt Service Coverage.....	22
ESTIMATED SOURCES AND USES OF FUNDS		Projected Operating Results and	
.....	4	Debt Service Coverage.....	23
THE 2013A BONDS.....	4	Defined Benefit Pension Plan	23
Terms of the 2013A Bonds.....	4	Other Post-Employment Benefits	25
Redemption of 2013A Bonds	5	California State Pension Reform	
Notice of Redemption.....	5	Legislation.....	26
Selection of 2013A Bonds for Redemption....	5	CONSTITUTIONAL PROVISIONS	27
Partial Redemption of 2013A Bonds.....	6	Proposition 218	27
Effect of Redemption of 2013A Bonds	6	Article XIII A.....	28
Book-Entry Only System	6	Article XIII B.....	28
Transfers and Exchanges Upon		Proposition 26	29
Termination of Book-Entry Only System	6	Future Initiatives	29
Debt Service Schedule.....	8	THE AUTHORITY	29
SECURITY FOR THE 2013A BONDS	8	TAX MATTERS.....	30
General	8	CERTAIN LEGAL MATTERS	31
Pledge of Sewer Revenues	9	LITIGATION	32
Allocation of Sewer Revenues	10	The Authority.....	32
Rate Covenant	11	The City	32
<u>No Reserve Fund</u>	<u>11</u>	RATING	32
Rate Stabilization Fund	<u>11</u>	UNDERWRITING	32
Limitations on Parity and Superior Obligations;		CONTINUING DISCLOSURE	
Subordinate Obligations	12	UNDERTAKING	33
THE SEWER SYSTEM.....	13	MISCELLANEOUS	34
The Sewer System	13	APPENDIX A SUPPLEMENTAL	
Environmental Compliance	13	INFORMATION	
Service Area	14	CONCERNING THE CITY OF	
Sewer System Insurance.....	14	OCEANSIDE	A-1
Natural Disasters	14	APPENDIX B DEFINITIONS AND	
Employee Relations.....	14	SUMMARY OF CERTAIN	
Outstanding Indebtedness.....	15	DOCUMENTS	B-1
Historic Sewer System Usage	15	APPENDIX C FORM OF BOND COUNSEL'S	
Historic Sewer System Service		OPINION.....	C-1
Connections	16	APPENDIX D DTC AND BOOK-ENTRY	
Historic Sewer System Service and Flow		ONLY SYSTEM	D-1
Charge Revenues	17	APPENDIX E FORM OF CONTINUING	
Largest Users	17	DISCLOSURE	
Sewer System Rates and Charges.....	18	AGREEMENT	E-1
Collection Procedures.....	19	APPENDIX F FINANCIAL	
Future Sewer System Improvements.....	19	STATEMENTS	F-1
Projected Service Connections	20		
Projected Sewer System Usage	20		
Projected Sewer Service Charge Revenues ..	20		
SEWER SYSTEM FINANCIAL			
INFORMATION.....	21		
Financial Statements.....	21		

NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE 2013A BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AUTHORITY, THE CITY OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BY ANY SALE OF THE 2013A BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE 2013A BONDS.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

This Official Statement contains forward-looking statements, including: (a) statements containing projections of Net Sewer Revenues, expenditures and other financial items; (b) statements of the plans and objectives of the City for future operations of the sewer system; (c) statements of future economic performance of the sewer system; and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, including without limitation statements under Appendix F—"FINANCIAL STATEMENTS" and Appendix A—"SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF OCEANSIDE" regarding the City's financial position, business strategy, capital resources and plans and objectives for future operations of the sewer system, are Forward-Looking Statements. Although such expectations reflected in such Forward-Looking Statements are reasonable, there can be no assurance that such expectations will prove to have been correct. Statements of important factors (collectively, the "Cautionary Statements") that could cause actual results to differ materially from expectations of the City are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the City or person acting on behalf of the City are expressly qualified in their entirety by the Cautionary Statements.

This Official Statement is submitted in connection with the sale of the 2013A Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the 2013A Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2013A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2013A Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

THE 2013A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE ACT. THE 2013A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2013A Bonds.

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§ _____ *

**OCEANSIDE PUBLIC FINANCING AUTHORITY
SEWER REVENUE REFUNDING BONDS, SERIES 2013A**

INTRODUCTION

General. This Official Statement provides information concerning the issuance of the Oceanside Public Financing Authority Sewer Revenue Refunding Bonds, Series 2013A (the “2013A Bonds”) pursuant to an Indenture of Trust, dated as of _____ 1, 2013 (the “Indenture”), by and between the Oceanside Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). See the caption “THE 2013A BONDS.”

Purposes of the 2013A Bonds. The 2013A Bonds are being issued: (i) to prepay all of the City of Oceanside Revenue Certificates of Participation (1993 Wastewater System Refunding Project), Series 2003 (the “2003 Certificates”) currently outstanding in the principal amount of \$6,515,000; (ii) to prepay all of the City of Oceanside Revenue Refunding Certificates of Participation, Series 2008 (the “2008 Certificates”) currently outstanding in the principal amount of \$9,340,000; (iii) to prepay all amounts due under Loan No. C-06-4160-110 between the State Water Resources Control Board and the City, dated June 8, 1993 (the “1993 State Loan”), currently outstanding in the principal amount of \$1,872,557; (iv) to finance certain improvements to the City’s Sewer System; and (v) to pay the costs of issuing the 2013A Bonds.

Authority for Issuance. The 2013A Bonds are being issued under the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “State”). In connection with the authorization of the 2013A Bonds, the Authority adopted Resolution No. _____ (the “Authorizing Resolution”) approving the 2013A Bonds and the execution and delivery of the Indenture on _____, 2013 and the City adopted Resolution No. _____ approving the 2013A Bonds on _____, 2013.

Sources of Payment for the 2013A Bonds. The 2013A Bonds are limited obligations of the Authority. The 2013A Bonds are payable solely from “Revenues” and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of payments (the “Series 2013A Installment Payments”) received from the City pursuant to an Installment Purchase Agreement, dated as of _____ 1, 2013 (the “Installment Purchase Agreement”), by and between the City and the Authority. See the caption “SECURITY FOR THE 2013A BONDS.”

The 2013A Bonds do not constitute a charge against the general credit of the Authority. The 2013A Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the 2013A Bonds. The Authority has no taxing power. The 2013A Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority.

Pursuant to the Installment Purchase Agreement, the City is obligated to pay the Series 2013A Installment Payments as the purchase price for certain capital improvements described in the Installment Purchase Agreement. The obligation of the City to make the Series 2013A Installment Payments is a special obligation of the City payable solely from Net Sewer Revenues of the Sewer System (as such terms are defined in the Installment Purchase Agreement) of the City and other funds described in the Installment Purchase Agreement, and does not constitute a debt of the City or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

* Preliminary; subject to change.

Net Sewer Revenues include Sewer Revenues remaining after payment of Operation and Maintenance Costs (as such terms are defined in the Installment Purchase Agreement). See the caption “SECURITY FOR THE 2013A BONDS.”

The obligation of the City to make the Series 2013A Installment Payments from Net Sewer Revenues is on a parity with the obligation of the City to make payments (the “2000 State Loan Payments”) from Net Sewer Revenues under that certain Local Match Loan No. L-06-4161-110 from the State Water Resources Control Board in a not to exceed amount of \$58,529,984 to the City pursuant to the State Fund Local Match Loan Program Contract No. 00-829-550-0 between the State Water Resources Control Board and the City dated November 30, 2000 (the “2000 State Loan”), of which approximately \$33,645,114 is currently outstanding.

Additional Parity Obligations. The City has covenanted not to incur additional obligations payable from Net Sewer Revenues senior to the Series 2013A Installment Payments. The City may incur additional obligations on a parity with the Series 2013A Installment Payments and the 2000 State Loan Payments, subject to the terms and conditions described under the caption “SECURITY FOR THE 2013A BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations.”

The City and the Sewer System. The City is located in San Diego County, approximately 90 miles south of Los Angeles and 30 miles north of the City of San Diego. The City comprises approximately 42 square miles. The City’s Sewer System provides sewer treatment services to the entire area within the City and to a portion of the Rainbow Municipal Water District, which is located in the northern part of San Diego County. The City currently provides sewer service to approximately 41,742 residential, commercial and industrial connections within the City and 3,055 connections within Rainbow Municipal Water District (“RMWD”). The City bills RMWD monthly based on RMWD’s annually adjusted share of conveyance, treatment and other Operation and Maintenance Costs.

The Authority. The Authority is a joint exercise of powers agency organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Act”) and a Joint Exercise of Powers Agreement, dated as of January 23, 2002 (the “Joint Powers Agreement”), by and between the City and the City acting as Successor Agency to the Community Development Commission of the City of Oceanside, to provide for the financing and refinancing of capital improvement projects of the City, and any other transaction authorized by law. Under the Act and the Joint Powers Agreement, the Authority has the power to issue bonds to pay the costs of public capital improvements. See the caption “THE AUTHORITY.”

Professionals Involved in the Offering. The Bank of New York Mellon Trust Company, N.A. will act as Trustee with respect to the 2013A Bonds. The 2013A Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the City with respect to the 2013A Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Jones Hall, a Professional Law Corporation, for the City and the Authority by the City Attorney, and for the Trustee by its counsel.

Other Information about this Official Statement. There follows in this Official Statement (and attached appendices) a brief description of the 2013A Bonds, the security for the 2013A Bonds, the City, the Authority and certain other information relevant to the issuance of the 2013A Bonds. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document.

All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indenture and the Installment Purchase Agreement, the summaries of which are included in Appendix B, unless otherwise stated in this Official Statement.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

THE REFUNDING PLAN

A portion of the proceeds from the sale of the 2013A Bonds, together with other funds on hand, will be deposited into an escrow fund (the "2003 Escrow Fund") to prepay the 2003 Certificates, a portion of the proceeds from the sale of the 2013A Bonds, together with other funds on hand, will be deposited into an escrow fund (the "2008 Escrow Fund," and together with the 2003 Escrow Fund, the "Escrow Funds") to prepay the 2008 Certificates, and a portion of the proceeds from the sale of the 2013A Bonds will be used to immediately prepay the 1993 State Loan. The Escrow Funds are to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), under the Escrow Agreement (2003) and the Escrow Agreement (2008), dated as of _____ 1, 2013 (collectively, the "Escrow Agreements"), by and between the City and the Escrow Agent for the prepayment of the 2003 Certificates and the 2008 Certificates, respectively.

Moneys in the Escrow Funds will be invested in cash and/or non-callable direct obligations of the United States Treasury or other non-callable obligations, the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America. Grant Thornton, LLP, independent certified public accountants, acting as verification agent (the "Verification Agent") with respect to the Escrow Funds, will certify in writing that the proceeds of the 2013A Bonds deposited into the 2003 Escrow Fund, along with the interest earnings thereon, will be sufficient to pay on May 1, 2013 all interest and principal with respect to the 2003 Certificates then due and to prepay on May 1, 2013 the principal amount of all 2003 Certificates maturing after May 1, 2013. The Verification Agent will also certify in writing that the proceeds of the 2013A Bonds deposited into the 2008 Escrow Fund, along with the interest earnings thereon, will be sufficient to pay on May 1, 2013 all interest and principal with respect to the 2008 Certificates then due and to prepay on May 1, 2013 the principal amount of all 2008 Certificates maturing after May 1, 2013.

THE PROJECT

A portion of the proceeds of the 2013A Bonds is expected to be used by the City to undertake certain improvements to the City's Sewer System, including the replacement of its Supervisory Control and Data Acquisition ("SCADA") system for both treatment plants and all lift stations. These improvements, estimated to cost approximately \$1,000,000, are being undertaken to increase the ability to remotely monitor and control infrastructure and processes relating thereto resulting in the increased efficiency of and a reduction of Operation and Maintenance Costs related to the Sewer System.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2013A Bonds are set forth below.

**Table 1
OCEANSIDE PUBLIC FINANCING AUTHORITY
Estimated Sources and Uses of Funds**

<u>Sources</u>	
Principal Amount of 2013A Bonds	\$
Available Moneys	
Plus Original Issue Premium/Less Original Issue Discount	
TOTAL	\$
 <u>Uses</u>	
Prepayment of 1993 State Loan	\$
Transfer to 2003 Escrow Fund	
Transfer to 2008 Escrow Fund	
Deposit into Construction Fund	
Underwriter's Discount	
Costs of Delivery ⁽¹⁾	
TOTAL	\$

⁽¹⁾ Includes fees for Trustee, legal fees, printing costs, rating agency fees and other costs of delivery.

THE 2013A BONDS

Terms of the 2013A Bonds

The 2013A Bonds will be issued in the aggregate principal amount of \$_____ * and will be dated as of the date of issuance. Interest on the 2013A Bonds is payable by check or draft of the Trustee mailed by first class mail on May 1 and November 1 of each year, commencing November 1, 2013 (each an "Interest Payment Date"). The principal of and premium, if any, and interest on the 2013A Bonds is payable in lawful money of the United States of America. Such amounts will be paid by the Trustee on the applicable payment dates by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the fifteenth day of the month preceding such Interest Payment Date (the "Record Date") in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of 2013A Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment will be made, such payments will be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence will remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. Interest on the 2013A Bonds will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the 2013A Bonds will be computed based on a year consisting of 360 days and twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

* Preliminary, subject to change.

Principal of the 2013A Bonds is payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee in Los Angeles, California.

Redemption of 2013A Bonds

Optional Redemption.* In accordance with the Indenture, the 2013A Bonds maturing on or after May 1, 2024 are subject to optional redemption, in whole or in part, at any time on and after May 1, 2023 in the order directed by the City in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, in integral multiples of \$5,000 from any source of available funds provided to the Authority by or at the discretion of the City at a Redemption Price equal to the principal amount of the 2013A Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Notice of Redemption

The City will notify the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to the redemption date for 2013A Bonds pursuant to the Indenture. Notice of redemption will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) to the respective Owners of any 2013A Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail; (ii) to the Securities Depository by facsimile and by first-class mail; and (iii) to the Municipal Securities Rulemaking Board. Notice of redemption will be given in the form and in accordance with the terms of the Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the 2013A Bonds of such maturity to be redeemed by giving the individual number of each 2013A Bond or by stating that all 2013A Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2013A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2013A Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2013A Bond to be redeemed in part only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such 2013A Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the mailing will not affect the validity of the redemption of any Bond.

With respect to any notice of optional redemption of 2013A Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2013A Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2013A Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Selection of 2013A Bonds for Redemption

If any 2013A Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such 2013A Bonds (the minimum Authorized Denomination or any integral multiple thereof) may be redeemed pursuant to the Indenture, in which case the Trustee will, without charge to the Owner, authenticate and issue a replacement 2013A Bond or 2013A Bonds for the unredeemed portion thereof. In the case of a partial redemption of 2013A Bonds, the Trustee will select the 2013A Bonds to be redeemed by lot at such times as

* Preliminary; subject to change.

directed by the City in writing at least 30 days prior to the redemption date and if such selection is more than 60 days before a redemption date, will appropriately identify the 2013A Bonds so called for redemption by stamping them at the time any 2013A Bonds so selected for redemption is presented to the Trustee for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Trustee, and any 2013A Bond or 2013A Bonds issued in exchange for, or to replace, any 2013A Bond so called for prior redemption will likewise be stamped or otherwise identified.

Partial Redemption of 2013A Bonds

Upon surrender of any 2013A Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the City, a new 2013A Bond of Authorized Denominations, and of the same Maturity Date and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2013A Bond surrendered.

Effect of Redemption of 2013A Bonds

If notice of redemption having been duly given pursuant to the Indenture, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2013A Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the 2013A Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2013A Bonds so called for redemption will cease to accrue, the 2013A Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of the 2013A Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Any defect as failure to receive notice will not affect the sufficiency of the proceedings of redemption. All 2013A Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed.

Book-Entry Only System

One fully-registered 2013A Bond for each maturity will be issued in the principal amount of such 2013A Bond. Such 2013A Bonds will be registered in the name of Cede & Co. and will be deposited with DTC.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2013A Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the 2013A Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

Any 2013A Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2013A Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any 2013A Bond or 2013A Bonds are surrendered for transfer, the Trustee will authenticate and deliver a new 2013A Bond or 2013A Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2013A

Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any 2013A Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2013A Bonds the Trustee will cancel and destroy the 2013A Bonds it has received.

2013A Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of 2013A Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2013A Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary 2013A Bonds for definitive 2013A Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2013A Bonds, the Trustee will cancel and destroy the 2013A Bonds it has received.

The Trustee is not required to register the exchange or transfer pursuant to the Indenture, of any 2013A Bond: (i) within 15 days preceding selection of 2013A Bonds for redemption; or (ii) selected for redemption.

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Debt Service Schedule

Set forth below is a table of the annual scheduled Series 2013A Installment Payments and all current parity obligations.

**Table 2
CITY OF OCEANSIDE
Installment Payment Schedule**

<i>Period Ending (May 1)</i>	<i>Series 2013A Installment Payments</i>			<i>Parity Obligations⁽¹⁾</i>	<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		
2013	\$	\$	\$	\$ 2,926,391	\$
2014				2,926,391	
2015				2,926,391	
2016				2,926,391	
2017				2,926,391	
2018				2,926,391	
2019				2,926,391	
2020				2,926,391	
2021				2,926,391	
2022				2,926,391	
2023				2,926,391	
2024				2,926,391	
2025				2,926,391	
2026				2,926,391	
2027				--	
2028				--	
TOTAL	\$	\$	\$	\$ 40,969,474	\$

⁽¹⁾ Reflects scheduled 2000 State Loan Payments. See the caption "INTRODUCTION—Sources of Payments for the 2013A Bonds."

Source: City.

SECURITY FOR THE 2013A BONDS

General

Pursuant to the Indenture, the Authority, for good and valuable consideration, has unconditionally granted, transferred and assigned to the Trustee without recourse all its rights to receive the Revenues (as defined in the Indenture) and to enforce the Installment Purchase Agreement, upon an event of default thereunder for the benefit of the Owners of the 2013A Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 2013A Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the City contained in the Installment Purchase Agreement.

The 2013A Bonds are limited obligations of the Authority. The 2013A Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2013A Installment Payments received from the City pursuant to the Installment Purchase Agreement.

The 2013A Bonds do not constitute a charge against the general credit of the Authority. The 2013A Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the Installment Purchase Agreement and other moneys

pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the 2013A Bonds. The Authority has no taxing power. The 2013A Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority.

Pledge of Sewer Revenues

All Sewer Revenues and all amounts on deposit in the Sewer Revenue Fund and the Rate Stabilization Fund have been irrevocably pledged to the payment of the Series 2013A Installment Payments as provided in the Installment Purchase Agreement, and the Sewer Revenues will not be used for any other purpose while any of the Series 2013A Installment Payments remain unpaid; provided that out of the Sewer Revenues and amounts on deposit in the Sewer Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted in the Installment Purchase Agreement. Such pledge, together with the pledge created by all other Contracts and Bonds, constitutes a first lien on Sewer Revenues and the Sewer Revenue Fund and all amounts on deposit therein as permitted in the Installment Purchase Agreement and subject to the application of Sewer Revenues in accordance with the terms hereof. Under the Installment Purchase Agreement, the term "Bonds" means all revenue bonds or notes of the City authorized, executed, issued and delivered by the City, the payments of which are on a parity with the Series 2013 Installment Payments and which are secured by a pledge of and lien on the Sewer Revenues, and the term "Contracts" means the Installment Purchase Agreement and any amendments and supplements thereto, and all contracts of the City authorized and executed by the City, the Installment Payments under which are on a parity with the Series 2013 Installment Payments and which are secured by a pledge and lien on the Sewer Revenues.

The obligation of the City to make the Series 2013A Installment Payments is a special obligation of the City payable solely from Net Sewer Revenues of the Sewer System of the City, and does not constitute a debt of the City or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the City to make the Series 2013A Installment Payments is absolute and unconditional, and until such time as the Purchase Price has been paid in full (or provision for the payment thereof has been made pursuant to the Installment Purchase Agreement), the City will not discontinue or suspend any Series 2013A Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Sewer System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

As defined in the Installment Purchase Agreement, the term "Sewer Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Sewer System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges or other moneys derived by the City from the collection, treatment and disposal of wastewater or other services or facilities provided in the conduct or operation of the business of the Sewer System, (2) the proceeds of any stand-by or wastewater availability charges, development fees and connection charges collected by the City, (3) the earnings on and income derived from the investment of amounts described in clauses (1) and (2) above, from amounts in the Rate Stabilization Fund and from Sewer Fund reserves, but excluding (x) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City, (y) any proceeds of taxes or assessments restricted by law to be used by the City to pay bonds or other obligations heretofore or hereafter issued; and (z) revenues of any sewer system acquired through merger, consolidation or similar action to the extent the exclusion of such acquired Sewer System is required pursuant to the terms of such merger, consolidation or similar action. "Sewer Revenues" shall also include all amounts transferred from the Rate Stabilization Fund to the Sewer Revenue Fund during any Fiscal Year in accordance with the Installment Purchase Agreement and shall not include any amounts transferred from the Sewer Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance therewith.

As defined in the Installment Purchase Agreement, the term “Operation and Maintenance Costs” means costs spent or incurred for maintenance and operation of the Sewer System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Sewer System in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Sewer System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2013A Bonds or of the Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges and any amounts transferred to the Rate Stabilization Fund.

Net Sewer Revenues means, for any fiscal year of the City (currently, the City’s Fiscal Year begins July 1) (“Fiscal Year”), Sewer Revenues remaining after payment of Operation and Maintenance Costs. See Appendix B—“DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS” under the caption “INSTALLMENT PURCHASE AGREEMENT—Definitions; Rules of Construction; Contents of Certificates and Opinions.”

The obligation of the City to make the Series 2013A Installment Payments from Net Sewer Revenues is payable on a parity with the obligation of the City to make the 2000 State Loan Payments from Net Sewer Revenues under the 2000 State Loan. See the caption “INTRODUCTION—Sources of Payments for the 2013A Bonds.”

THE OBLIGATION OF THE CITY TO MAKE THE SERIES 2013A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET SEWER REVENUES OF THE CITY AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY THAT THE CITY IS OBLIGATED TO PAY FROM ANY OTHER CITY REVENUES OR 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 MAKE THE SERIES 2013A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

If the City defaults on its obligation to make the Series 2013A Installment Payments, the Trustee has the right to accelerate the entire principal amount of the unpaid Series 2013A Installment Payments and the accrued interest. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient Net Sewer Revenues to pay the accelerated Series 2013A Installment Payments.

Allocation of Sewer Revenues

In order to carry out and effectuate the pledge and lien contained in the Installment Purchase Agreement, the City agrees and covenants that all Sewer Revenues shall be received by the City in trust thereunder and shall be deposited when and as received in the Sewer Revenue Fund which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Moneys in the Sewer Revenue Fund shall be used and applied by the City as provided in this Installment Purchase Agreement.

The City shall, from the moneys in the Sewer Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become

due and payable. All remaining moneys in the Sewer Revenue Fund shall be set aside by the City at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes as follows:

(a) Bond Payment Fund. On or before each Series 2013A Installment Payment Date, the City shall, from the moneys in the Sewer Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund a sum equal to the Series 2013A Installment Payment coming due on such Series 2013A Installment Payment Date. The City shall also, from the moneys in the Sewer Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service or payments in accordance with the provisions of the Contract, resolution or indenture relating thereto. No deposit need be made in the Bond Payment Fund as Series 2013A Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2013A Installment Payment due and payable on the next succeeding Series 2013A Installment Payment Date. All money in the Bond Payment Fund shall be used and withdrawn by the Trustee in accordance with the Indenture of Trust.

(b) Reserve Fund. On or before each payment date required pursuant to the provisions of any Contract or Bond, or any resolution or indenture related thereto, the City shall, from the remaining moneys in the Sewer Revenue Fund, thereafter, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to any reserve fund or account for Bonds or Contracts an amount equal to the amount required to be deposited therein.

(c) Subordinate Obligations. On or before the payment of principal or interest is due with respect to any Subordinate Obligations, the City shall from moneys in the Sewer Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Subordinate Obligations, in accordance with the provisions of such Subordinate Obligation.

(d) Surplus. On the last day of each month, moneys on deposit in the Sewer Revenue Fund not required to make any of the payments required above may be expended by the City at any time for any purpose permitted by law, including but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with the Installment Purchase Agreement.

Rate Covenant

To the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each Fiscal Year, rates and charges for Sewer Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Sewer Revenues equal to 125% of Debt Service for such Fiscal Year; provided, however, that for purposes of the Installment Purchase Agreement, Sewer Revenues in such Fiscal Year shall not include any amount reasonably expected to be transferred from the Rate Stabilization Fund to the Sewer Revenue Fund in excess of 25% of Debt Service for such Fiscal Year. The City may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Sewer Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements.

No Reserve Fund

There is no debt service reserve fund for the 2013A Bonds or the Series 2013A Installment Payments.

Rate Stabilization Fund

The Installment Purchase Agreement creates a special fund designated as the "Rate Stabilization Fund" which is held by the City in trust. The City has covenanted to maintain and to hold the Rate Stabilization Fund separate and apart from other funds so long as any Series 2013A Installment Payments remain unpaid. Money transferred by the City to the Rate Stabilization Fund in accordance with the Installment Purchase Agreement will be held in the Rate Stabilization Fund and applied in accordance with the Installment Purchase Agreement.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Sewer Revenue Fund for application in accordance with the Installment Purchase Agreement or, in the event that all or a portion of the Installment Payments are discharged in accordance with the Installment Purchase Agreement, transfer all or any portion of such amounts for application to the payment of the Installment Payments in accordance with the Installment Purchase Agreement. As of the Date of Delivery of the Bonds, the City had \$ _____ on deposit in the Rate Stabilization Fund.

Limitations on Parity and Superior Obligations; Subordinate Obligations

Additional Obligations Superior to Series 2013A Installment Payments. The City has covenanted in the Installment Purchase Agreement that the City will not issue any additional evidences of indebtedness or incur other additional obligations that are payable from or secured by a pledge of and lien on Sewer Revenues and any money in the Sewer Revenue Fund superior to the pledge securing the Series 2013A Installment Payments.

Additional Obligations on a Parity with Series 2013A Installment Payments. The City has covenanted in the Installment Purchase Agreement that the City may only issue Bonds or Contracts that are payable from or secured by a pledge of and lien on Sewer Revenues and any money in the Sewer Revenue Fund on a parity with the pledge securing the Series 2013A Installment Payments pursuant to the following terms and conditions:

(1) The Net Sewer Revenues (exclusive of any amounts transferred from the Rate Stabilization Fund) for the most recent audited Fiscal Year or any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the City Council of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year or twelve month period, as applicable; and

(2) The Net Sewer Revenues (exclusive of any amounts transferred from the Rate Stabilization Fund) for the most recent audited Fiscal Year or any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of the execution of such Contract or the date of adoption by the City Council of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or twelve month period to increases or decreases in rates and charges for the Sewer Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year or twelve month period, as applicable, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or twelve month period assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or twelve month period plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year or twelve month period.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund any Bonds or Contracts then outstanding may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts are executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Subordinate Obligations. The City may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Sewer Revenues or moneys in the Sewer Revenue Fund as may from time to time be deposited therein subordinate to the Series 2013A Installment Payments.

THE SEWER SYSTEM

The Sewer System

The City's Sewer System consists of the La Salina Wastewater Treatment Plant, which has a capacity of 5.5 million gallons per day ("MGD") and the San Luis Rey Wastewater Treatment Plant, which has a capacity of 13.5 MGD, 34 lift stations, approximately 450 miles of sewer mains and a 1.6 mile ocean outfall line (the "Ocean Outfall"). Rainbow Municipal Water District ("RMWD") owns 1.5 MGD of the capacity of the San Luis Rey Wastewater Treatment Plant. Total capacity of the Sewer System (including capacity owned by RMWD) is 19.0 MGD, with a current average daily flow of 11.8 MGD (inclusive of RMWD flow).

The Sewer System consists of a network of gravity mains, sewer lift stations and force mains that collect raw sewage and deliver it to the wastewater treatment plants for treatment. Both wastewater treatment plants currently provide secondary treatment utilizing the active sludge process. Effluent from the San Luis Rey Wastewater Treatment Plant flows through a 24 inch concrete reinforced steel force main to a point where it joins effluent from the La Salina Wastewater Treatment Plant. The combined flow of the treated secondary effluent is then transported via a 36 inch concrete steel force main to the ocean via the Ocean Outfall. The maximum capacity of the Ocean Outfall is 22.6 MGD.

The Fallbrook Public Utilities District ("FPUD") owns 2.4 MGD of average annual flow in the Ocean Outfall. FPUD pays for a portion of the City's maintenance and operation costs associated with the Ocean Outfall. In addition, the City and Camp Pendleton military base ("Camp Pendleton") have entered into a Statement of Understanding which allows for the lease of 3.6 MGD maximum capacity in the Ocean Outfall. Camp Pendleton pays an annual fixed charge as well as a portion of the City's maintenance and operation costs associated with the Ocean Outfall. Both FPUD and Camp Pendleton hold their own National Pollutant Discharge Elimination System ("NPDES") permit with the Regional Board and are responsible for their own compliance with the permit conditions.

Additionally, the City has a flow sharing agreement with the City of Vista that allows each city to share flows for certain portions of their respective service areas that are better served by the other city. The flow sharing agreement provides for compensation in the event of differential flows; however, payments made by either city pursuant to this agreement have historically been de minimis.

Environmental Compliance

The present discharge requirements for the treatment plants are established by the State of California (the "State") Regional Water Quality Control Board, San Diego Region (the "Regional Board"), which administers and enforces all federal and State discharge requirements. The Regional Board administers regulations promulgated under the NPDES by the United States Environmental Protection Agency (the "EPA") and Division 7 of the California Water Code and regulations adopted thereunder. The City's present discharge permit (Waste Discharge Order No. R9-2010-0120, NPDES Permit No. CA 0107433) (the "Order") was adopted on December 8, 2010 and expires on January 26, 2016.

The sewer department of the City is responsible for satisfying federally and State-mandated discharge requirements. The requirements include schedules for monitoring operations to assure discharge compliance and protection of the City's water supply. The Regional Board frequently inspects the City's treated wastewater to ensure compliance with the Order. There are currently no pending actions by the Regional Board with respect to the City's wastewater. The City recently entered into a settlement agreement with the Regional Board for a sewage spill caused by a burst pipeline which occurred in December 2010. City Council approved the collection

of a special rate to be collected from sewer ratepayers to cover the cost of the administrative civil liability of \$770,184.

Service Area

The City's Sewer System provides sewer treatment services to the entire area within the City and to a portion of RMWD. As of January 1, 2013, the City provided sewer service to approximately 41,742 residential, commercial and industrial connections within the City and 3,055 connections within RMWD. The City bills RMWD monthly based on RMWD's annually adjusted share of conveyance, treatment and Operation and Maintenance Costs. Total charges received from RMWD were \$979,781 for Fiscal Year 2011-12 and have been budgeted to be \$910,459 for Fiscal Year 2012-13.

Sewer System Insurance

The City is a member of the San Diego Pooled Insurance Program Authority ("SANDPIPA") which provides general liability insurance. As a member, the City carries a self-insured retention of \$500,000 and is insured through SANDPIPA from \$500,000 to \$2,500,000. In addition, SANDPIPA has purchased excess insurance coverage from \$2,500,000 to \$45,000,000 for all of its members, including the City. There have been no significant changes in insurance coverage during the current year and settlements have not exceeded coverage in each of the past three fiscal years.

SANDPIPA is a joint powers agency of twelve cities located within San Diego County. Each city has equal representation on the Board of Directors, which consists of a city staff member (and an alternate) appointed by each City Council. The Board of Directors has total responsibility for all actions of SANDPIPA.

Natural Disasters

The City, like much of the State, may be subject to unpredictable seismic activity, fires, flood or other natural disasters. If there were to be a natural disaster in the City there could be substantial damage to and interference with the operations of the Sewer System which could result in a reduction of Net Sewer Revenues. According to recent geotechnical reports, the City is not within an Alquist-Priolo Earthquake Fault Zone. Under the terms of the Installment Purchase Agreement the City is not required to maintain earthquake insurance. Damage to the Sewer System has the potential to adversely affect the payment of the Series 2013 Installment Payments and the 2013A Bonds.

The most dominant source of potential ground motion within the City is from the Rose Canyon fault. Earthquakes from this source are expected to have a potential for seismic ground shaking with a maximum credible magnitude of 7.0 and a maximum probable magnitude of 6.25. The "maximum credible earthquake" is defined as the maximum earthquake that appears capable of occurring under the presently known tectonic framework, while the "maximum probable earthquake" is the maximum earthquake that is considered likely to occur during a 100-year time interval.

Employee Relations

A total of 140 full-time equivalent employees operate and maintain the City's water and sewer systems. The City's Utilities Department has never experienced a strike, slow down or work stoppage. The Oceanside City Employees Association represents non-management employees of the water and sewer systems as part of a larger collective bargaining unit.

Outstanding Indebtedness

Following the issuance of the 2013A Bonds, only the payments on the 2000 State Loan will be payable from Net Sewer Revenues on a parity with the Series 2013 Installment Payments.

2000 State Loan. On November 30, 2000, the City entered into State Revolving Fund Local Match Loan Program Contract No. 00-829-550-0, Local Match Loan No. C-06-4161-110 (the “2000 State Loan”) with the State Water Resources Control Board to fund the expansion of the San Luis Rey Wastewater Treatment Plant. The 2000 State Loan was for a not to exceed amount of \$58,529,984, of which \$33,645,115 was outstanding, as of February 1, 2013. A portion of the proceeds from the 2000 State Loan was used to prepay the City’s obligation to make installment payments pursuant to the 2000 Installment Purchase Contract. The 2000 State Loan matures on May 1, 2024. Average annual debt service on the outstanding payments due on the 2000 State Loan is approximately \$2,926,391. Pursuant to the terms of the 2000 State Loan, the City’s obligation to pay debt service on the 2000 State Loan will be payable from Net Sewer Revenues on a parity with the Series 2013 Installment Payments.

Historic Sewer System Usage

The City records the volume of wastewater treated by the Sewer System. The following table summarizes the volume of wastewater treated for the five most recent Fiscal Years. The City reports that daily average flow has not increased in proportion to the increase in service connections due to lower average flow from new connections and industrial flow. The decrease in daily average flow from fiscal years 2008 through 2012 is a result of increased conservation efforts and a flow sharing agreement with the City of Vista. Continued decreases in flow levels could require an increase in rates or charges in order to produce Net Sewer Revenues sufficient to comply with the City’s rate covenants in the Installment Purchase Agreement.

HISTORIC SEWER SYSTEM USAGE

<i>Fiscal Year Ended</i>		
<i>June 30</i>	<i>Daily Average Flow (MGD)</i>	<i>Increase</i>
2008	13.4	1.5%
2009	12.9	-3.7
2010	12.3	-4.7
2011	12.0	-2.4
2012	11.8	-1.7

Source: City.

Historic Sewer System Service Connections

The following table presents a summary of service connections within the City to the Sewer System for the five most recent Fiscal Years. Additionally, the City provides sewer service to approximately 3,055 connections within Rainbow Municipal Water District.

HISTORIC SEWER SYSTEM SERVICE CONNECTIONS

<i>Fiscal Year Ended</i>		
<i>June 30</i>	<i>Service Connections</i>	<i>Increase</i>
2008	41,145	0.2%
2009	41,253	0.2
2010	41,367	0.3
2011	41,512	0.3
2012	41,742	0.5

Source: City.

Historic Sewer System Service and Flow Charge Revenues

The following table shows annual service and flow charge revenues of the Sewer System for the five most recent Fiscal Years. The increase in revenue is primarily attributable to rate increases over the last several years.

HISTORIC SEWER SYSTEM SERVICE AND FLOW CHARGE REVENUES

<i>Fiscal Year Ended June 30</i>	<i>Service and Flow Charge Revenues</i>	<i>Increase (Decrease)</i>
2008	\$23,534,153	12.8%
2009	24,549,653	4.3
2010	28,570,644	16.4
2011 ⁽¹⁾	32,440,442	13.5
2012 ⁽¹⁾	37,638,074	16.2

(1) The sewer rate was increased in February and July, 2011.
Source: City.

Largest Users

The following table sets forth the ten largest users of the Sewer System as of June 30, 2012 as determined by annual payments. These ten largest users of the Sewer System accounted for approximately 4.4% of all Sewer System service and flow charge revenues received in Fiscal Year 2012.

HISTORIC SEWER SYSTEM LARGEST USERS

<i>User</i>	<i>Type of Account</i>	<i>Annual Payment</i>	<i>Percentage of Annual Sewer Revenues</i>
Hydranautics	Industrial manufacturer	\$ 475,367.01	1.3%
Genentech	Pharmaceutical manufacturer	278,825.90	0.8
TRI City Hospital	Hospital	168,378.25	0.5
Island Club Apartments	Multifamily Complex	145,290.67	0.4
Windrift Apartments	Multifamily Complex	121,434.14	0.3
Rancho SLR Mobile Homes	Manufactured home park	101,032.20	0.3
LA #8 HOA	Multifamily Complex	82,649.39	0.2
Mission Linen Supply	Industrial laundry/uniform	82,117.44	0.2
Summit by the Lake Apartments	Multifamily Complex	74,061.76	0.2
Ocean Park Apartments	Multifamily Complex	<u>72,770.20</u>	<u>0.2</u>
	Total	<u>\$1,601,926.96</u>	<u>4.4%</u>

Source: City.

Sewer System Rates and Charges

General. The City is not subject by statute to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The City currently sets the sewer flow commodity component of Sewer System service charges and the fixed monthly service charge to recover operating expenses

for capital improvements and debt service payments. The City staff annually determines the adequacy of the Sewer System service charge structure after full consideration of expected operations, maintenance and capital costs. Sewer System service charges are then approved annually by the City Council after review by the Budget Committee, the Water/Sewer Committee and the City's Utility Commission.

Any increases in Sewer System rates or service charges are subject to a notice, public hearing and protest process as described under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." There can be no assurance that increases will not be subject to protests by ratepayers and will be approved by the City Council.

The City has separated its customer base into a variety of classes based on use. Rates charged to each class of customer vary.

Sewer Charges. The City's sewer service charges are billed on a user charge basis, based on meter size and flow. The current schedule of Sewer System rates for users of the City's Sewer System, described below and in effect since January 1, 2013, is set forth below:

SEWER CHARGES

Sewer Monthly Service Charge (\$/month)

<i>Meter Size</i>	<i>Service Charge</i>	<i>Meter Size</i>	<i>Service Charge</i>
5/8" & 3/4"	\$ 25.75	4"	\$ 516.99
1"	56.44	6"	1,028.99
1-1/2"	107.63	8"	1,643.21
2"	169.05	10"	2,359.80
3"	312.36		

All single-family residential customers are charged the 5/8" service charge regardless of meter size.

Sewer Flow Commodity Charge

<i>Residential</i>	<i>Flow Charge</i>
1. Single Family: Low Use (0 – 5.0 units ⁽¹⁾)	\$14.39
Medium Use (5.1 – 10.0 units ⁽¹⁾)	31.01
High Use (10.1+ units ⁽¹⁾)	60.51
2. Master-Metered Single Family (per residential unit)	24.31
3. Manufactured Home (per residential unit)	16.62
4. Multi-Family (per unit of estimated sewer flow)	3.93
Non-Residential (per unit of estimated sewer flow)	
Motels/RV Parks/Churches	\$ 3.93
General Commercial	3.93
Medium Strength	4.43
Medium-High Strength	6.34
High Strength	7.58
Schools	3.93

⁽¹⁾ 1 unit = 748 gallons.
Source: City.

The chart below sets forth a comparison of the City's current monthly rates and charges for the Sewer System for a single family residential user to those of nearby communities:

<i>Community</i>	<i>Monthly Residential Rate</i>
City of Del Mar	\$ 86.75
City of San Diego	80.10
Encinitas (San Dieguito Water District)	77.32
Rancho Santa Fe (Santa Fe Irrigation District)	69.33
City of Oceanside	56.76
City of Vista	53.25
City of Escondido	44.72
San Marcos (Vallecitos Water District)	35.91
City of Carlsbad	26.00

Source: City.

Sewer System Buy-in Fees. The City imposes upon new sewer service connections a one-time sewer system buy-in fee. The buy-in fees are based on meter size. Effective July 1, 2011, the City levied the following sewer system buy-in fee:

<i>Meter Size</i>	<i>Buy-In Fee</i>
Residential Single Family: Regardless of meter size	\$ 6,313
Multi-Family and Non-Residential: 5/8" & 3/4"	6,313
1"	15,782
1½"	31,563
2"	50,501
3"	94,689
4"	157,815
6"	315,631
8"	505,009
10"	Individually Calculated

In the Fiscal Year ended June 30, 2012, 4.3% of the Sewer Revenues of the Sewer System were buy-in fees. The City's buy-in fees are reviewed annually and revised as necessary to pay for the capital costs of constructing public wastewater collection, treatment and disposal facilities for the future.

Collection Procedures

The City currently has a combined bill for water, sewer and sanitation services. Presently, the utility billing division has 17 billing cycles. Each account is billed monthly. Pursuant to City ordinance, all accounts that remain unpaid on the twenty-fifth day following the due date of such bill shall incur a penalty of 10% of the amount due for water and sewer charges. A delinquent notice with 10 additional days to pay is generated to those accounts. A lock-off notice is then generated allowing another 48 hours for payment of the delinquent bill. Under the ordinance, accounts that remain unpaid are to have their water and sanitation services discontinued and such service is not to be reconnected without full payment of the bill and a reinstatement fee.

Future Sewer System Improvements

Future sewer system improvements are expected to include: upgrades to the La Salina Wastewater Treatment Plant; upsizing and improving the Myers/Tait Street sewerline to accommodate new downtown developments; acquisition and construction to relocate the Oceanside Boulevard sewer lift station, digester

rehabilitation at the San Luis Rey plant, and building upgrades and rehabilitation of several sewage lift stations. The anticipated cost of these improvements is approximately \$40,780,400 through Fiscal Year 2017. The City anticipates financing these costs from Net Sewer Revenues and does not expect to incur additional debt within the next five fiscal years. See “SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” herein.

Projected Service Connections

The City currently estimates that service connections to the Sewer System for the current and next four Fiscal Years will be as follows:

PROJECTED SEWER CONNECTIONS

<i>Fiscal Year Ending June 30</i>	<i>Service Connections</i>	<i>Increase</i>
2013	41,818	0.51%
2014	42,033	0.51
2015	42,248	0.51
2016	42,463	0.51
2017	42,678	0.50

Source: City.

The City has not approved any future increase in its sewer connection fees, though it expects to do so sometime in Fiscal Year 2013. See “CONSTITUTIONAL PROVISIONS—Proposition 218” herein.

Projected Sewer System Usage

The City currently estimates that Sewer System usage for the current and next four Fiscal Years will be as follows:

PROJECTED SEWER SYSTEM USAGE

<i>Fiscal Year Ending June 30</i>	<i>Daily Average Flow (MGD)</i>	<i>Increase</i>
2013	11.86	0.51%
2014	11.94	0.67
2015	12.03	0.75
2016	12.12	0.75
2017	12.23	0.91

Source: City.

Projected Sewer Service Charge Revenues

The following table projects annual service charge revenues of the Sewer System for the current and next four Fiscal Years. The projected increase in service and flow charge revenues in Fiscal Year 2013 is primarily attributable to the approval of a rate increase of 5%, effective January 1, 2013. See “CONSTITUTIONAL PROVISIONS—Proposition 218” herein.

PROJECTED SEWER SYSTEM SERVICE AND FLOW CHARGE REVENUES

<i>Fiscal Year Ending June 30</i>	<i>Service & Flow Charge Revenues</i>	<i>Increase</i>
2013 ⁽¹⁾	\$ 38,168,330	5.32.5%
2014	<u>39,864,673</u> <u>39,959,410</u>	<u>4.44.5</u>
2015	<u>41,334,205</u> <u>41,632,591</u>	<u>3.74.0</u>
2016	<u>42,857,908</u> <u>43,375,831</u>	<u>3.74.0</u>
2017	<u>44,437,779</u> <u>45,192,064</u>	<u>3.74.0</u>

⁽¹⁾ Projection for Fiscal Year 2013 based on unaudited actual results through January 31, 2013.
Source: City.

SEWER SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements of the City for the Fiscal Year ending June 30, 2012, prepared by Lance, Soll & Lunghard, LLP (the “Auditor”) are included as APPENDIX F hereto (the “Financial Statements”). The Financial Statements have been prepared on a combined basis and include the Sewer Fund and the Water Fund. The obligation of the City to make Series 2013 Installment Payments under the Installment Purchase Agreement is limited to Net Sewer Revenues of the Sewer System and the City is not obligated to apply any other revenues to make such Series 2013 Installment Payments.

The summary operating results contained under the caption “SEWER SYSTEM FINANCIAL INFORMATION—Historic Operating Results and Debt Service Coverage” are derived from these financial statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto.

The auditor’s letter concludes that the audited financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oceanside, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. The Auditor has not reviewed the information contained in this Official Statement, nor is the Auditor’s consent required to include the Financial Statements herein.

The City approved the audited financial statements of the City for the Fiscal Year ending June 30, 2012 on February 27, 2013.

Operating Reserve Policy

On July 1, 2012, the City adopted a standard operating procedure which established procedures for posting monthly and annual transactions for the City’s Water and Sewer funds and established a reserve policy requiring the City to maintain at least 60 days of operating reserves on hand, which for Fiscal Year 2012-13 was approximately \$4.5 million. As of _____, 2013, the Sewer System has \$ _____ in reserves.

Historic Operating Results and Debt Service Coverage

The following table is a summary of operating results of the Sewer System of the City for the last five Fiscal Years.

SEWER SYSTEM HISTORIC OPERATING RESULTS FISCAL YEAR ENDED JUNE 30

	2008	2009	2010	2011	2012
REVENUES					
Service and flow charges	\$ 23,534,153	\$ 24,549,653	\$ 28,570,644	\$ 32,440,442	\$ 37,638,074
System buy-in fees	1,213,464	754,869	893,047	707,045	1,694,330 ⁽⁷⁾
Other ⁽¹⁾	596,592	380,867	1,742,741	617,376	237,469
TOTAL REVENUES	\$ 25,344,209	\$ 25,685,390	\$ 31,206,432	\$ 33,764,863	\$ 39,569,873
OPERATION AND MAINTENANCE COSTS⁽²⁾					
	\$ 19,770,623	\$ 20,503,398	\$ 20,437,396	\$ 20,209,063	\$ 23,448,576 ⁽⁸⁾
NET SEWER REVENUES	\$ 5,573,586	\$ 5,181,992	\$ 10,769,036	\$ 13,555,800	\$ 16,121,297
PARITY DEBT SERVICE					
1993 State Loan ⁽⁴⁾	\$ 658,191	\$ 658,191	\$ 658,191	\$ 658,191	\$ 658,191
2000 State Loan	2,926,391	2,926,391	2,926,391	2,926,391	\$ 2,926,391
2003 Installment Purchase Contract ⁽⁴⁾	905,900	905,750	907,550	910,950	908,350
2008 Installment Purchase Contract ⁽⁴⁾	--	344,508 ⁽³⁾	935,406	936,606	932,206
TOTAL SENIOR DEBT SERVICE	\$ 4,490,482	\$ 4,834,840	\$ 5,427,538	\$ 5,432,138	\$ 5,425,138
PARITY DEBT SERVICE COVERAGE	1.24	1.07⁽⁶⁾	1.98	2.50	2.97
NET SEWER REVENUES AVAILABLE FOR SUBORDINATE DEBT SERVICE	\$ 1,083,104	\$ 347,152	\$ 5,341,498	\$ 8,123,662	\$10,696,159
SUBORDINATE DEBT SERVICE					
WateReuse Installment Purchase Contract	\$ 976,604	\$ 353,153 ⁽³⁾	\$ --	\$ --	\$ --
SUBORDINATE DEBT SERVICE COVERAGE	1.11	0.98⁽⁶⁾	1.98	2.50	2.97
NET SEWER REVENUES AVAILABLE FOR OTHER PURPOSES	\$ 106,500	\$ (\$6,001)⁽⁵⁾	\$ 5,341,498	\$ 8,123,662	\$ 10,696,159

(1) Includes interest and other miscellaneous revenues.

(2) Operation and Maintenance costs do not include depreciation and amortization.

(3) 2008 Installment Purchase Contract refinanced 1998 Watereuse Installment Purchase Contract.

(4) To be prepaid from proceeds of the 2013A Bonds.

(5) Shortfall paid from existing cash balance.

(6) Rate increases were approved by City Council on February 4, 2009 and November 4, 2009 to meet minimum debt service coverage of 115% of debt service.

(7) Includes one-time advance payment of connection fees in the amount of \$1,366,062 associated with the community facilities district for the Morro Hills development.

(8) Includes one-time capitalized expenditure of approximately \$2,800,000 resulting from change in accounting practices in prior years.

Source: City.

Projected Operating Results and Debt Service Coverage

The City's projected operating results for the Sewer System for the Fiscal Years ending June 30, 2013 through June 30, 2017 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The fiscal forecast represents the City's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the chart set forth below are material in the development of the City's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. Specifically, expenses could increase at a greater-than-anticipated pace, as a result of, among other things, changes in technology, increases in the cost of energy and increased regulatory requirements.

**SEWER SYSTEM
PROJECTED OPERATING RESULTS
FISCAL YEAR ENDED JUNE 30**

	2013 ⁽⁶⁾	2014	2015	2016	2017
REVENUES					
Service and flow charges ⁽¹⁾	\$38,168,330	\$ 39,864,673 <u>39</u>	\$ 41,334,205 <u>41</u>	\$ 42,857,908 <u>43</u>	\$ 44,377,779 <u>45</u>
		<u>959,410</u>	<u>632,591</u>	<u>375,831</u>	<u>064</u>
System buy-in fees ⁽²⁾	1,344,669 <u>1,35</u>	1,344,669 <u>1,35</u>	1,344,669 <u>1,35</u>	1,391,742 <u>1,40</u>	1,440,519 <u>1,45</u>
	<u>7,295</u>	<u>7,295</u>	<u>7,295</u>	<u>4,810</u>	<u>4,045</u>
Other ⁽³⁾	380,074	<u>354,136</u>	<u>395,749</u>	<u>480,248</u>	<u>485,605</u>
		<u>354,074</u>	<u>395,615</u>	<u>479,971</u>	<u>485,319</u>
TOTAL REVENUES	\$39,893,073	\$ 41,563,478 <u>41</u>	\$ 43,074,623 <u>43</u>	\$ 44,729,898 <u>45</u>	\$ 46,363,902 <u>47</u>
	<u>39,905,699</u>	<u>670,779</u>	<u>385,501</u>	<u>260,612</u>	<u>131,428</u>
OPERATION AND MAINTENANCE COSTS ⁽⁴⁾					
	\$ 22,392,492	22,920,988	23,615,197	24,330,010	25,066,742 <u>25</u>
	<u>22,342,482</u>	<u>22,868,160</u>	<u>23,560,970</u>	<u>24,274,249</u>	<u>009,406</u>
NET SEWER REVENUES	\$ 17,500,581 <u>17</u>	\$ 18,642,490 <u>18</u>	\$ 19,459,426 <u>19</u>	\$ 20,399,888 <u>20</u>	\$ 21,297,161 <u>22</u>
	<u>563,217</u>	<u>802,619</u>	<u>824,531</u>	<u>986,363</u>	<u>122,022</u>
PARITY DEBT SERVICE					
1993 State Loan ⁽⁵⁾	\$ 658,191	\$ --	\$ --	\$ --	\$ --
2000 State Loan	2,926,391	2,926,391	2,926,391	2,926,391	2,926,391
2003 Installment Purchase Agreement ⁽⁵⁾	905,900	--	--	--	--
2008 Installment Purchase Agreement ⁽⁵⁾	932,406	--	--	--	--
2013 Installment Purchase Agreement	--	--	--	--	--
		<u>2,146,937</u>	<u>2,169,500</u>	<u>2,171,800</u>	<u>1,556,200</u>
TOTAL SENIOR DEBT SERVICE	\$ 5,422,888	\$ 5,07	\$ 5,09	\$ 5,09	\$ 4,48
		3,328	5,891	8,191	2,591
PARITY DEBT SERVICE COVERAGE	<u>3.23</u>	<u>3.67</u>	<u>3.82</u>	<u>4.00</u>	<u>4.75</u>
			<u>3.91</u>	<u>4.14</u>	<u>4.96</u>
NET SEWER REVENUES AVAILABLE FOR OTHER PURPOSES	\$ <u>12,077,693</u>	\$ <u>13,569,162</u>	\$ <u>14,363,535</u>	\$ <u>15,301,697</u>	\$ <u>16,814,570</u>
	<u>140,329</u>	<u>729,291</u>	<u>728,640</u>	<u>888,172</u>	<u>639,431</u>

(1) Projected to increase ~~5.02~~5% in Fiscal Year 2012-~~13~~13, 4.5% in Fiscal Year 2013-14 and ~~3.54~~4.0% annually thereafter as set forth under "THE SEWER SYSTEM—Projected Sewer Service Charge Revenues."

(2) System buy-in fees in Fiscal Year 2012-13 based on approved budget and projected new connections. See "THE SEWER SYSTEM—Projected Sewer Connections" above.

(3) Assumes interest earnings on reserves and other miscellaneous revenues.

(4) Operation and Maintenance Costs based on Fiscal Year 2012-13 Budget and projected to increase by ~~decrease~~ 4.723% in Fiscal Year 2013-14 and increase 3.0% annually thereafter.

(5) To be prepaid from proceeds of the 2013A Bonds.

(6) Amounts projected in Fiscal Year 2013 are based on unaudited actual results through January 31, 2013.

Source: City.

Defined Benefit Pension Plan

Pension Plan Description. The City contributes to the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities

within the State. Benefit provisions and all other requirements are established by State statute and City ordinance.

CalPERS issues a publicly available financial report that includes the applicable financial statements and required supplementary information for CalPERS. The report may be obtained by writing to CalPERS at 400 Q Street, Sacramento, California 95814.

Funding Policy. All permanent employees of the City are eligible to participate in the Public Employees' Retirement Fund (the "PERS Fund") of CalPERS. Benefits vest after 5 years of service. Safety (fire and police) employees hired prior to January 1, 2013 who retire at or after age 50 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by three percent (3%) of their average salary during the highest paid one year period. Safety (fire and police) employees hired on or after January 1, 2013 who retire at or after age 57 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by two and seven tenths percent (2.7%) of their highest annual average salary over a three year period. Miscellaneous employees hired prior to December 11, 2011 who retire at or after age 55 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by two and seven tenths percent (2.7%) of their average salary during the highest-paid 1-year period. Miscellaneous employees hired on or after December 11, 2011 and prior to January 1, 2013, who retire at or after age 60 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by two percent (2%) of their highest annual average salary over a three year period. Miscellaneous employees hired on or after January 1, 2013, who retire at or after age 62 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by two percent (2%) of their highest annual average salary over a three year period.

The required employee contribution to the program totals eight percent (8%) for miscellaneous employees. As of December 2011, miscellaneous employees are responsible for their entire contribution. For the Fiscal Years ending June 30, 2011 and 2012, the City contributed approximately \$ 3,894,046 and \$619,519, respectively, on behalf of its miscellaneous employees, of which \$295,697 and \$47,707, respectively, were attributable to the Sewer System.

In addition to the City's contribution on behalf of employees, the City currently funds the normal pension costs, which are determined by CalPERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the City's unfunded actuarial liability. The rate for Fiscal Year 2011-12 was 17.636% of annual covered payroll for miscellaneous employees, and the rate for Fiscal Year 2012-13 will be 19.194% of annual covered payroll for miscellaneous employees. For the Fiscal Year ending June 30, 2012, the City's CalPERS contribution for miscellaneous employees was approximately \$8,786,176, which was equal to the annual required contribution (the "ARC") described below. The ARC for Fiscal Year 2012-13 is projected to be \$9,190,988.

Under Governmental Accounting Standards Board Statement No. 27, an employer reports an annual pension cost equal to the ARC plus an adjustment for the cumulative difference between the annual pension cost and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation and may be positive or negative. The ARC for Fiscal Year 2011-12 was determined by an actuarial valuation of the City's plan as of June 30, 2010 and the ARC for Fiscal Year 2012-13 has been determined by an actuarial valuation of the City's plan as of June 30, 2011.

The staff actuaries at CalPERS annually prepare an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is delivered (thus, the actuarial valuation delivered to the City in October 2012 covered the City's Fiscal Year ended June 30, 2011). The actuarial valuations express the City's required contribution rates in percentages of covered payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City contribution rate derived from the actuarial valuation as of June 30, 2011,

which was delivered in October 2012, affects the City Fiscal Year 2013-14 required contribution rate). CalPERS rules require the City to implement the actuary’s recommended rates.

In calculating the annual actuarially recommended contribution rates, the CalPERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that CalPERS will fund under the CalPERS plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the “UAAL”). The normal cost represents the actuarial present value of benefits that CalPERS will fund under the CalPERS plans that are attributed to the current year, and the actuarial accrued liability represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability that the City owes to CalPERS under its CalPERS plan.

In each actuarial valuation, the CalPERS actuary estimates the actuarial value of the assets (the “Actuarial Value”) of the CalPERS plans at the end of the Fiscal Year (which assumes, among other things, that the rate of return during that Fiscal Year equaled the assumed rate of return, currently 7.5%). The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies.

The following table summarizes the City’s funding progress of its accrued liability for miscellaneous employees from Fiscal Year 2006-07 through Fiscal Year 2010-11:

<i>Fiscal Year</i>	<i>Accrued Liability</i>	<i>Actuarial Value of Assets (“AVA”)</i>	<i>Market Value of Assets</i>	<i>UAAL</i>	<i>AVA Funded Ratios</i>	<i>Annual Covered Payroll</i>	<i>UAAL as a % of Payroll</i>
2007	\$197,099,559	\$192,236,398	\$222,069,966	\$ 4,863,161	97.5%	\$39,800,897	12.2%
2008	232,543,630	207,379,041	210,863,439	21,164,589	89.2	42,087,226	59.8
2009	265,726,922	221,030,367	161,958,340	44,696,555	83.2	44,155,811	101.2
2010	287,838,678	236,506,447	186,792,239	51,332,231	82.2	41,587,082	123.4
2011	312,677,302	252,390,327	226,262,551	60,286,975	80.7	40,869,457	147.5

The employer contribution rate for Fiscal Year 2013-14 is estimated at 20.580%. Based on recent assumption changes adapted by CalPERS related to the rate of investment returns, CalPERS estimates that contribution rates could increase by 1 to 2%.

For additional information relating to the City’s CalPERS Plan, see Note 12 to the City’s Financial Statements set forth in APPENDIX F.

CalPERS reported significant investment losses in 2009. However, CalPERS earnings reports for Fiscal Years 2010 and 2011 report an investment gain in excess of 13.0% and 21.7%, respectively. Future earnings performance and adjustments of assumptions may increase or decrease future contribution rates for plan participants, including the City.

Other Post-Employment Benefits

The City administers a single-employer defined benefit healthcare plan (the “Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their covered dependents, other than those retirees belonging to the Oceanside Firefighters Association (“OFA”), through the City’s group health insurance

plans, which cover both active and retired employees. Non-OFA retirees under the age of 65 are eligible to join one of four plan options. Upon attaining age 65, Medicare-eligible non-OFA retirees must join one of three plan options and assign their Medicare Part A and Part B benefits to the plan chosen. The ability to participate in the City's group insurance health plans by self-paying the premium extends for a period equal to the number of years of service at retirement (with a minimum of one-year). Non-OFA retirees with at least 15 years of service may continue to self-pay for this coverage as long as the City continues to offer this benefit. Benefit provisions are established through negotiations between the City and the non-OFA employee associations and are renegotiated periodically. The Retiree Health Plan does not issue a publicly available financial report.

The Governmental Accounting Standards Board recently published Statement No. 45, requiring governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the City, to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions. As of June 30, 2011, the City's unfunded actuarial accrued liability for post-employment benefits was \$4,563,531. The ARC is the annual amount that would be necessary to fund the other post-employment benefits ("OPEB") in accordance with the Governmental Accounting Standards Board's Statement No. 43.

The following table sets forth the schedule of funding progress for the Retiree Health Plan as of June 30, 2011:

<i>Valuation Date (June 30)</i>	<i>Actuarial Accrued Liability</i>	<i>Actuarial Value of Assets ("AVA")</i>	<i>UAAL</i>	<i>AVA Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>UAAL as a % of Covered Payroll</i>
2007	\$3,787,718	-	\$3,787,718	0.0%	\$63,551,511	5.96%
2009	3,187,232	-	3,187,232	0.0	66,597,119	4.79
2011	4,563,531	-	4,563,531	0.0	55,600,000	8.21

California State Pension Reform Legislation

In September 2012, the Governor signed a comprehensive pension reform package affecting state and local government employees. AB 340 (the "Legislation") implements lower defined-benefit formulas with higher retirement ages for new employees hired on or after January 1, 2013, and includes provisions to increase current employee contributions. Though the Legislation covers most public employees in state government, cities, counties, special districts, school districts, and community colleges, the following discussion relates only to the Legislation's impact on City employee retirement.

Key changes to retirement plans affecting the City include:

- New defined-benefit formulas that increase retirement ages for new public employees hired on or after January 1, 2013;
- For new employees, a cap on pensionable income of \$110,100 or \$132,120 (for employees not in social security). Annual increases on the cap would be limited to the Consumer Price Index for All Urban Consumers.
- A standard that employees pay at least 50 percent of normal costs.
- Establishes increases for current City civil service and related excluded employees who are not contributing at least half of normal costs.

Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit ("air time").

If the Legislation is implemented fully, PERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified. OPEB costs are not addressed in the Legislation.

Provisions in the Legislation will not likely have a material effect on City contributions in the short term. However, additional employee contributions, limits on pensionable compensation, and higher retirement ages for new members will reduce the City's UAAL and potentially City contribution levels in the long term.

CONSTITUTIONAL PROVISIONS

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Article XIID. Article XIID defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for wastewater service is ultimately determined to be a "fee" or "charge" as defined in Article XIID, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service, (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed, (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeals decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are "primarily based on the amount consumed" (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the "Bighorn Case"), however, that fees for ongoing water service through an existing connection were property-related fees and charges. Since 2007, the City has been complying with the notice and public hearing requirements of Article XIID in determining whether to change its Sewer System rates.

Article XIIIIC. Article XIIIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIIIC does not define the terms “local tax,” “assessment,” “fee” or “charge” so it was unclear whether the definitions set forth in Article XIIIID referred to above are applicable to Article XIIIIC. Moreover, the provisions of Article XIIIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the City and the City Attorney do not believe that Article XIIIIC grants to the voters within the City the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of the City. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2013A Bonds. Remedies available to beneficial owners of the 2013A Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

Article XIIIIA

General. On June 6, 1978, California voters approved Proposition 13, which added Article XIIIIA to the California Constitution (“Article XIIIIA”). Article XIIIIA limits the amount of any ad valorem tax on real property to one percent of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIIIIA approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIIIIA defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

Article XIIIIA does not affect the ability of the City to collect Sewer Revenues.

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon the location of reappraised property and the value of property within each taxing agency. Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIIIIB

An initiative to amend the California Constitution entitled “Limitation of Government Appropriations” was approved on November 6, 1979 thereby adding Article XIIIIB to the California Constitution (“Article XIIIIB”). Under Article XIIIIB state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article

XIIIB does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The City is of the opinion that its sewer charges for sewer services in the City’s service area do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIIIB. The City has covenanted in the Installment Purchase Agreement that it will prescribe rates and charges sufficient to provide for payment of Series 2013 Installment Payments in each year. See the caption “SECURITY FOR THE 2013A BONDS—Rate Covenant” herein.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees relating to the Sewer System that would have to be reduced or eliminated because of Proposition 26.

Future Initiatives

Article XIII A, Article XIIIB and Propositions 26 and 218 were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting City revenues or the City’s ability to expend revenues.

THE AUTHORITY

The Oceanside Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated as of January 23, 2002, by and between the City and the Community Development Commission of the City of Oceanside to assist in financings undertaken by either member. The City Council of the City is appointed as the Governing Board of the Authority.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the

accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2013A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2013A Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest (and original issue discount) on the 2013A Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the 2013A Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2013A Bonds to assure that interest (and original issue discount) on the 2013A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2013A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2013A Bonds. The City has covenanted to comply with all such requirements.

The difference between the issue price of a 2013A Bond (the first price at which a substantial amount of the 2013A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2013A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2013A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2013A Bond Owner will increase the 2013A Bond Owner's basis in the applicable 2013A Bond. Original issue discount that accrues for the 2013A Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations and is exempt from State of California personal income tax.

The amount by which a 2013A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2013A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2013A Bond Owner's basis in the applicable 2013A Bond (and the amount of tax-exempt interest received with respect to the 2013A Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2013A Bond Owner realizing a taxable gain when a 2013A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2013A Bond to the Owner. Purchasers of the 2013A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2013A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2013A Bonds might be affected as a result of such an audit of the 2013A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2013A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2013A Bonds or their market value.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2013A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any 2013A Bond

if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

SUBSEQUENT TO THE ISSUANCE OF THE 2013A BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF INTEREST ON THE 2013A BONDS OR THE MARKET VALUE OF THE 2013A BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2013A BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2013A BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE 2013A BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2013A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2013A BONDS.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2013A Bonds is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the ownership of the 2013A Bonds and the accrual or receipt of interest (and original issue discount) on the 2013A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2013A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2013A Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

CERTAIN LEGAL MATTERS

The validity of the 2013A Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C and such legal opinion will be attached to each 2013A Bond.

Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the City with respect to the 2013A Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation ("Underwriter's Counsel"), for the City and the Authority by the City Attorney, and for the Trustee by its counsel. Payment of the fees of Bond Counsel and Underwriter's Counsel is contingent upon issuance of the 2013A Bonds.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the right and obligation with respect to the Installment Purchase Agreement is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Special Counsel (the form of which is attached as APPENDIX C), will be similarly qualified.

LITIGATION

The Authority

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2013A Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the 2013A Bonds or any action of the Authority contemplated by any of said documents.

The City

To the best knowledge of the City, there is no action, suit or proceeding known to be pending, or threatened, restraining or enjoining the issuance of the 2013A Bonds, the Indenture of Trust, the Installment Purchase Agreement, or any other document relating to the 2013A Bonds, or in any way contesting or affecting the validity of the foregoing.

There are a number of lawsuits and claims pending against the City. In the opinion of the City, such suits and claims as are presently pending will not have a material adverse effect on the ability of the City to make 2013A Installment Payments.

RATING

The City expects that Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") will assign the 2013A Bonds an underlying rating of "____." S&P's rating reflects only the views of S&P, and an explanation of the significance of such ratings may be obtained from Standard & Poor's Ratings Service, 55 Water Street, 38th Floor, New York, New York 10041, (212) 438 2074. The City makes no representation as to the appropriateness of the rating. Further, there is no assurance that the rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the trading value and the market price of the 2013A Bonds.

UNDERWRITING

The 2013A Bonds will be purchased by Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"), under a Purchase Contract, dated _____, 2013, pursuant to which the Underwriter agrees to purchase all of such 2013A Bonds for an aggregate purchase price of \$_____ (equal to the principal amount of the 2013A Bonds plus/less net original issue premium/discount of \$_____ and less underwriter's discount of \$_____).

The initial public offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2013A Bonds to certain dealers (including dealers depositing 2013A Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

CONTINUING DISCLOSURE UNDERTAKING

The City will covenant in a Continuing Disclosure Agreement to be entered into by The Bank of New York Mellon Trust Company, N.A., as dissemination agent for the benefit of the beneficial owners of the 2013A

Bonds to provide certain financial information and operating data relating to the City by not later than the March 1 following the end of the City's Fiscal Year (currently its Fiscal Year ends on the last day of June) (the "Annual Report"), commencing with the report for Fiscal Year ending June 30, 2013, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2 12(b)(5) promulgated under the Securities Exchange Act of 1934. In the last five years, the City has on occasion failed to comply in certain material respects with its previous continuing disclosure undertakings pursuant to Rule 15c2 12 promulgated under the Securities and Exchange Act of 1934, including but not limited to, a failure to timely file certain annual reports and notices of significant event. However, the District is currently in compliance with its continuing disclosure undertakings.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2013A Bonds.

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

OCEANSIDE PUBLIC FINANCING AUTHORITY

Executive Director

CITY OF OCEANSIDE

City Manager

APPENDIX A

SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF OCEANSIDE

The information and expressions of opinion set forth herein have been obtained from sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in the affairs of the City or in any other information contained herein since the date of the Official Statement.

General Information

The City is located in San Diego County, approximately 90 miles south of Los Angeles and 30 miles north of the City of San Diego. The City comprises approximately 44 square miles at an elevation between sea level and 300 feet. Typical of Southern California, it offers a temperate climate with an average high temperature of 60.9 degrees and average annual rain fall of 4.5 inches.

Incorporated in 1888, The City operates as a general law city. It has a council-manager form of government, with the Mayor and other council members elected at large for four-year terms.

City Council

The members of the City Council and the expiration dates of their respective terms are as follows:

CITY OF OCEANSIDE City Council

<i>Council Member</i>	<i>Term Expires</i>
Jim Wood, Mayor	November <u>20—2016</u>
Jack Feller, Deputy Mayor	November <u>20—2016</u>
Jerome M. Kern	November <u>20—2014</u>
Esther C. Sanchez	November <u>20—2016</u>
Gary Felien	November <u>20—2014</u>

The City Council appoints the City Manager who heads the executive branch of the government, implements City Council directives and policies and manages the administrative and operational functions through the various departmental heads, who are appointed by the City Manager.

City Management

The City Manager's Office is responsible for the administrative supervision of all City activities. This task involves the continual evaluation of the provision of efficient, effective, and economical services to the citizens of the City. The City Manager's Office keeps the City Council informed of City activities and services and implements the policy of the City Council. The City Manager also serves as the Executive Director of the Community Development Commission and oversees the functions of the Redevelopment Commission and Housing Commission.

Peter A. Weiss is the City Manager and has served in such position since August 2007.

~~Zack Beck~~ Cari Dale is the City Clerk Water Utilities Director and has served in such position since May 2010.

John P. Mullen is the City Attorney and has served in such position since March 2006.

Gary M. Ernst is the City Treasurer and has served in such position since December 2010.

City full-time employees numbered 851 as of June 30, 2012, of which 276 were assigned to the Police Department and 111 to the Fire Department.

Employee Relations

In accordance with the provisions of California Government Code Section 3500 and the City’s Employee/Employer Relations Indenture, the City recognizes the following bargaining units:

<i>Unit/Affiliation</i>	<i>Number of Members</i>
Oceanside City Employee’s Association	<u>295</u>
Management Employees of City of Oceanside.....	<u>62</u>
Oceanside Police Officer’s Association (non-sworn).....	<u>63</u>
Oceanside Police Officer’s Association (sworn)	<u>192</u>
Oceanside Firefighter’s Association	<u>91</u>
Oceanside Harbor Police Officer’s Unit <u>Fire Management Association</u>	<u>6</u>
<u>Western Council of Engineers</u>	<u>11</u>
Oceanside Police Management Association	<u>10</u>
Total	<u>730</u>

Source: City of Oceanside.

Management of various unrepresented position classifications include a total of 60 classifications which are not represented by any bargaining unit. In addition, the City has 63 unrepresented non-management positions.

Population

The City’s population as of January 1, 2012 was approximately 169,319. The following chart shows the population for the City, the County and state from 2008 through 2012.

**POPULATION
For Years 2008 through 2012**

<i>Year (as of 1/1)</i>	<i>City of Oceanside</i>	<i>County of San Diego</i>	<i>State of California</i>
2008	166,064	3,032,689	36,704,375
2009	166,242	3,064,436	36,966,713
2010	167,241	3,091,579	37,223,900
2011	167,943	3,115,810	37,427,946
2012	169,319	3,143,429	37,678,563

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and State, 2001-2010, with 2000 & 2010 Census Counts and E-1 Population Estimates for Cities, Counties and the State, 2011-2012, Sacramento, California, May 2012.*

City's Economy

The City enjoys one of the most desirable locations in the United States. With Camp Pendleton to the north (a permanent open space) and the Pacific Ocean to the west, Oceanside provides a retail market for tourists and military alike. Many senior citizens and retirees settle in Oceanside because it is one of the last moderately-priced coastal communities in California. Although the City was incorporated in 1888, the majority of development has occurred within the last twenty years. Infrastructure and facilities are therefore relatively new.

The City's commercial base is growing. The downtown redevelopment agency is aggressively recruiting major hotel and retail enterprises to locate within blocks of the City's wide beaches and large marina. Raw land is still available next to major freeway off-ramps for commercial development.

Education

Public instruction in the City is provided by the Oceanside Unified School District and the Vista Unified School District with {18}16 elementary schools, {3}4 middle schools, {3} high schools and {2} parochial schools and {3} private schools. The following table summarizes public school enrollment in the two unified school districts over the past five years:

**OCEANSIDE UNIFIED
SCHOOL DISTRICT
PUBLIC SCHOOL ENROLLMENT
2007-08 through 2011-12**

<i>Grades</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
K-6	11,943	12,034	11,887	11,960	12,024
7-12	<u>9,279</u>	<u>9,483</u>	<u>9,235</u>	<u>9,121</u>	<u>8,985</u>
Total	<u>21,222</u>	<u>21,517</u>	<u>21,122</u>	<u>21,081</u>	<u>21,009</u>

Source: California Department of Education, Educational Demographics Unit.

**VISTA UNIFIED
SCHOOL DISTRICT
PUBLIC SCHOOL ENROLLMENT
2007-08 through 2011-12**

<i>Grades</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
K-6	12,899	12,876	12,677	12,537	12,415
7-12	<u>14,103</u>	<u>13,850</u>	<u>13,468</u>	<u>13,306</u>	<u>13,178</u>
Total	<u>27,002</u>	<u>26,726</u>	<u>26,145</u>	<u>25,843</u>	<u>25,593</u>

Source: California Department of Education, Educational Demographics Unit.

The City is also served by California State University, San Marcos and by one community college district, Mira Costa College, which includes Camp Pendleton, a U.S. Marine Corps base adjacent to the City.

Building Activity

Residential building activity for the past five calendar years for Oceanside is shown in the following tables.

City of Oceanside New Housing Units Building Permits

	2007	2008	2009	2010	2011
Single Family Units	149	56	64	64	106
Multifamily Units	104	32	159	159	28
Total Units	<u>253</u>	<u>88</u>	<u>223</u>	<u>223</u>	<u>134</u>

Source: Construction Industry Research Board and California Homebuilding Foundation.

City of Oceanside Building Permit Valuations (Dollars in Thousands)

	2007	2008	2009	2010	2011
Residential					
New Single Family	\$ 44,252.3	\$ 2,329.4	\$ 21,814.8	\$ 21,814.8	\$ 33,894.5
New Multifamily	15,456.9	14,863.5	33,172.0	33,172.0	3,748.9
Res. Alt. & Adds	<u>18,938.3</u>	<u>34,330.6</u>	<u>17,784.3</u>	<u>17,784.3</u>	<u>3,609.4</u>
Total Residential	\$ 78,647.6	\$ 71,523.5	\$ 72,771.2	72,771.2	\$ 41,252.8
Nonresidential					
New Commercial	\$ 1,634.6	\$ 8,761.7	\$ 13,591.8	13,591.8	8,803.9
New Industrial	2,804.3	7,259.0	0.0	0.0	0.0
New Other ⁽¹⁾	8,079.2	9,483.5	20,264.0	20,264.0	21.0
Alters. & Adds.	<u>19,071.0</u>	<u>30,589.6</u>	<u>20,387.8</u>	<u>20,387.8</u>	<u>5,837.7</u>
Total Non-Residential	\$ 49,589.1	\$ 56,093.8	\$ 54,243.7	\$ 54,243.6	\$ 14,662.6
Total All Building	<u>\$ 128,236.7</u>	<u>\$ 127,617.3</u>	<u>\$ 127,014.8</u>	<u>\$ 127,014.8</u>	<u>\$ 55,915.4</u>

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings.

Note: "Total All Building" is the sum of Residential and Nonresidential Building Permit Valuations. Totals may not add to sums because of independent rounding.

Source: Construction Industry Research Board and California Homebuilding Foundation.

Employment

The civilian labor force in the City increased to an annual average of 86,800 in 2011, up 0.04 percent from the 83,400 average in 2007. ~~For the past five years the unemployment rate in the City **and has been below the rate for** the County of San Diego **has been below and** the State's rate and **roughly even with** the nation's rate—~~ **REVISE**. The following table summarizes the labor force, employment and unemployment figures over the past five years for the City, the County of San Diego, the State of California and the nation as a whole.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT Yearly Average for Years 2008 through 2012

<i>Year and Area</i>	<i>Labor Force</i>	<i>Civilian Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate⁽³⁾</i>
2007				
City of Oceanside	83,400	79,800	3,600	4.3%
County of San Diego	1,517,600	1,448,500	69,100	4.6
California.....	17,921,000	16,960,700	960,300	5.4
United States ⁽⁴⁾	153,124,000	146,047,000	7,078,000	4.6
2008				
City of Oceanside	85,000	80,200	4,800	5.7%
County of San Diego	1,548,200	1,455,600	92,700	6.0
California.....	18,203,100	16,890,000	1,313,100	7.2
United States ⁽⁴⁾	154,287,000	145,362,000	8,924,000	5.8
2009				
City of Oceanside	85,200	77,400	7,800	9.1%
County of San Diego	1,554,200	1,405,000	149,200	9.6
California.....	18,208,300	16,144,500	2,063,900	11.3
United States ⁽⁴⁾	154,142,000	139,877,000	14,265,000	9.3
2010				
City of Oceanside	86,200	77,500	8,600	10.0%
County of San Diego	1,572,600	1,407,100	165,600	10.5
California.....	18,316,400	16,051,500	2,264,900	12.4
United States ⁽⁴⁾	153,889,000	139,064,000	14,825,000	9.6
2011				
City of Oceanside	86,800	78,600	8,200	9.5%
County of San Diego	1,583,800	1,426,100	157,700	10.0
California.....	18,384,900	16,226,600	2,158,300	11.7
United States ⁽⁴⁾	153,617,000	139,869,000	13,747,000	8.9

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, based on March 2011 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

The table below summarizes employment by Industry in the San Diego Metropolitan Statistical Area (“MSA”) from 2008 to 2012. Manufacturing, Retail Trade, Services and Government are the largest employment sectors in the San Diego MSA.

**San Diego-Carlsbad-San Marcos MSA
(San Diego County)
Industry Employment & Labor Force – by Annual Average
March 2011 Benchmark**

<i>Industry</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Total Farm	10,500	9,500	10,500	10,000	9,500
Total Nonfarm	1,298,700	1,231,400	1,222,800	1,231,200	1,250,600
Total Private	1,073,600	1,006,900	992,400	1,002,700	1,022,200
Goods Producing	179,200	156,800	148,600	148,400	147,900
Natural Resources & Mining	400	400	400	400	400
Construction	76,100	61,100	55,300	55,200	56,300
Manufacturing	102,800	95,300	92,900	92,800	91,200
Durable Goods	78,100	73,100	71,000	70,800	69,800
Nondurable Goods	24,700	22,200	21,900	21,900	21,400
Service Providing	1,119,500	1,074,600	1,074,200	1,082,800	1,102,700
Private Service Producing	894,400	850,100	843,800	854,400	874,300
Trade, Transportation & Utilities	215,900	199,600	197,300	199,000	202,500
Wholesale Trade	44,900	40,600	40,100	40,700	38,700
Retail Trade	142,000	131,600	130,700	132,200	137,300
Transportation, Warehousing & Utilities	29,000	27,400	26,500	26,100	26,500
Information	31,400	28,200	25,100	24,000	23,800
Financial Activities	75,200	69,800	67,200	66,800	68,100
Professional & Business Services	222,300	206,800	207,700	211,500	218,300
Educational & Health Services	137,300	144,300	145,500	149,100	153,700
Leisure & Hospitality	164,000	154,800	154,800	156,900	160,800
Other Services	48,400	46,800	46,200	47,100	47,100
Government	<u>225,100</u>	<u>224,500</u>	<u>230,400</u>	<u>228,400</u>	<u>228,400</u>
Total, All Industries	<u>1,309,300</u>	<u>1,240,900</u>	<u>1,233,300</u>	<u>1,241,200</u>	<u>1,260,100</u>

Note: The “Total, All Industries” data is not directly comparable to the employment data found herein.

(1) Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.

Source: State of California, Employment Development Department, *San Diego-Carlsbad-San Marcos MSA Industry Employment & Labor Force – by Annual Average, March 2011 Benchmark*.

Industry

Within the City, principal employers and the approximate number of employees are:

**CITY OF OCEANSIDE
PRINCIPAL EMPLOYERS
As of June 30, 2010**

<i>Name of Company</i>	<i>Type of Business</i>	<i>Number of Employees</i>
Tri-City Hospital	Hospital District (Non-Profit)	2,000
Mira Costa Community College	Education	1,100
City of Oceanside	Municipal Government	1,100
Select Staffing	Staffing	600
Genentech	Manufacturer/Bio-technology	500
North County Transit District	Public Transportation	500
Ocean's Eleven Casino	Casino	400
Oceanside Unified School District	Education	400
Hydranautics	Manufacturer/Bio-technology	300
Registry Network Inc.	Healthcare	300
T.E.R.I. Inc.	Healthcare	300
US Postal Service	Government	300

Source: City of Oceanside, 2010 Comprehensive Annual Financial Report.

City Water Supply

The City operates its own municipal water department and serves all of the City's water needs, primarily to residential and commercial users and to some industrial users. Water delivered through the City's water system has historically been supplied by the San Diego Water Authority, which is a member of the Metropolitan Water District, and local water sources. The City has a reverse osmosis system which reclaims ground water and the system contributes to approximately 20% of the City's water consumption. In addition, the City is participating with the City of Carlsbad on pilot project for ocean water desalinization as a water source. While the recent drought reduced water conditions throughout the region, the City expects that future water needs will continue to be met by the San Diego Water Authority and new sources of local water and reclaimed water.

The City has an ongoing water conservation program which includes limitations on watering hours and certain water uses. In the event that the drought were to return and water conditions were to deteriorate the City would likely expand its water conservation program to include additional water use restrictions, such as imposing limitations on the landscaping of new developments.

Commercial Activity

The following table summarizes the annual volume of taxable transactions within the City for the years 2007 through 2011⁽¹⁾.

**CITY OF OCEANSIDE
TABLE OF TAXABLE TRANSACTIONS BY TYPE
For the Years 2007 Through 2011⁽¹⁾**

	(In thousands)				
	2007	2008	2009	2010	2011 ⁽¹⁾
Apparel Stores.....	\$ 48,996	\$ 45,268	\$ 47,739	\$ 47,327	\$ 34,654
General Merchandise.....	263,121	268,918	235,242	232,331	158,403
Food Stores.....	104,987	96,871	105,588	103,171	78,541
Eating and Drinking Places.....	198,759	201,960	207,282	207,729	165,833
Home Furnishings and Appliances.....	29,225	51,058	80,566	81,201	59,060
Building Materials.....	117,695	105,987	102,100	104,226	81,981
Auto Dealers and Supplies.....	141,290	130,635	117,635	103,315	87,255
Service Stations.....	184,056	211,769	173,070	199,862	185,065
Other Retail Stores.....	<u>223,453</u>	<u>181,576</u>	<u>136,664</u>	<u>136,566</u>	<u>98,727</u>
Subtotal retail outlets.....	<u>1,311,582</u>	<u>1,294,041</u>	<u>1,205,885</u>	<u>1,215,730</u>	<u>949,520</u>
All Other Outlets.....	<u>270,572</u>	<u>274,787</u>	<u>232,980</u>	<u>226,660</u>	<u>177,059</u>
Total all outlets.....	<u><u>1,582,154</u></u>	<u><u>1,568,828</u></u>	<u><u>1,438,866</u></u>	<u><u>1,442,389</u></u>	<u><u>1,126,578</u></u>

⁽¹⁾ Through 3rd quarter 2011.

Source: California State Board of Equalization.

APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS

The following is a summary of certain provisions of the Installment Purchase Agreement and the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.

[TO COME]

APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon issuance of the 2013A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

Re: \$ _____ Oceanside Public Financing Authority
Sewer Revenue Refunding Bonds, Series 2013A

Members of the City Council:

We have acted as Bond Counsel to the Oceanside Public Financing Authority (the "Authority") in connection with the issuance of \$ _____ aggregate principal amount of Sewer Revenue Refunding Bonds, Series 2013A (the "Bonds"). The Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of _____ 1, 2013 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Bonds are limited obligations of the Authority payable solely from Revenues (as such term is defined in the Indenture), consisting of payments (the "Series 2013A Installment Payments") to be made by the City of Oceanside (the "City") to the Authority pursuant to an Installment Purchase Agreement, dated as of _____ 1, 2013 (the "Installment Purchase Agreement"), by and between the City and the Authority.

In connection with our representation we have examined a certified copy of the proceedings relating to the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance and sale by the Authority of the Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the Bonds from Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. The obligation of the City to make the Series 2013A Installment Payments from Net Sewer Revenues (as defined in the Installment Purchase Agreement) is an enforceable obligation of the City and does not constitute a debt of the City, or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation 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.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is

excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

5. Interest on the Bonds is exempt from State of California personal income tax.

6. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

7. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest on the Bonds are based upon certain representations of fact and certifications made by the Authority and others and are subject to the condition that the Authority complies with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to the Bonds if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

DTC AND BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the City and the Underwriter believe to be reliable, but neither the Authority, the City nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2013A Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to the 2013A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2013A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2013A Bonds. The 2013A Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be executed and delivered for each annual maturity of the 2013A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2013A Bonds, except in the event that use of the book-entry system for the 2013A Bonds is discontinued.

To facilitate subsequent transfers, all 2013A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2013A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013A Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such 2013A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2013A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2013A Bond documents. For example, Beneficial Owners of 2013A Bonds may wish to ascertain that the nominee holding the 2013A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2013A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2013A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2013A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2013A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2013A Bond Owner shall give notice to elect to have its 2013A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2013A Bond by causing the Direct Participant to transfer the Participant's interest in the 2013A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2013A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2013A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2013A Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2013A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical 2013A Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2013A Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2013A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2013A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of _____ 1, 2013 (the "Disclosure Agreement") is executed and delivered by the City of Oceanside (the "City") and The Bank of New York Mellon Trust Company, N.A. (the "Dissemination Agent") in connection with the issuance of \$ _____ Sewer Revenue Bonds, Series 2013A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of _____ 1, 2013, by and among the City, The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and the Oceanside Public Financing Authority (the "Authority"). The City covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture of Trust, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Comprehensive Annual Financial Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

"Disclosure Representative" shall mean the City Manager of the City, the Assistant City Manager of the City, the Director of Financial Services of the City or their designee, or such other officer or employee as the City shall designate in writing from time to time.

"Dissemination Agent" shall mean The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Official Statement" shall mean the Official Statement relating to the Bonds, dated _____, 2013.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org>.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

“Underwriter” shall mean the original Underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than each March 1 of each year commencing March 1, 2014, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) business days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) (if the Dissemination Agent is other than the City), file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

(a) The City’s audited financial statements, prepared in accordance with generally accepted auditing standards for municipalities in the State of California. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof, updates of the Tables under the captions “THE SEWER SYSTEM—Historic Sewer System Usage,” “—Historic Sewer System Service Connections,” “—Historic Sewer System Service and Flow Charge Revenues,” “—Largest Users,” “—Sewer System Rates and Charges” (except for the information related to nearby communities) and “—Historic Operating Results and Debt Service Coverage” (including a combined debt service coverage calculation for all parity obligations then outstanding).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) days after the event, if material:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material in a timely manner not more than ten (10) days after occurrence:

1. unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. modifications to the rights of Bondholders;
3. optional, unscheduled or contingent Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the City or the Authority or the sale of all or substantially all of the assets of the City or the Authority, other than in the ordinary

course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the City determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the City, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the City determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the City, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The City hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the City and, if the Dissemination Agent is other than the City, the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City and shall have no duty to review any information provided to it by the City. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this

Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture of Trust, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bond holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

City: City of Oceanside
300 North Coast Highway
Oceanside, CA 92054
Attention: City Manager

Dissemination Agent: The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 400
Los Angeles, CA 90071
Attention: Corporate Trust Department

SECTION 13. Beneficiaries. This Disclosure Agreement solely to the benefit of the City, the Dissemination Agent, the Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Signature. This Disclosure Agreement has been executed by the undersigned on the date hereof, and such signature binds the City to the undertaking herein provided.

CITY OF OCEANSIDE

By: _____
Its: City Manager

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Dissemination Agent

By: _____
Its: Authorized Officer

APPENDIX F
FINANCIAL STATEMENTS

ATTACHMENT 5

*Stradling Yocca Carlson & Rauth
Draft of 3/1/13*

INDENTURE OF TRUST

by and between

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

and

OCEANSIDE PUBLIC FINANCING AUTHORITY
as Issuer

Relating to

\$ _____
SEWER REVENUE REFUNDING BONDS, SERIES 2013A

Executed and Entered Into as of _____ 1, 2013

Table of Contents

Page

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01.	Definitions	1
Section 1.02.	Equal Security.....	9

ARTICLE II

CONDITIONS AND TERMS OF BONDS

Section 2.01.	Preparation of Bonds	9
Section 2.02.	Denominations; Dating	9
Section 2.03.	Payment of Principal and Interest with Respect to Bonds.....	9
Section 2.04.	Form of Bonds	10
Section 2.05.	Execution of Bonds.....	10
Section 2.06.	Transfer of Bonds	10
Section 2.07.	Exchange of Bonds	11
Section 2.08.	Bond Registration Books	11
Section 2.09.	Bonds Mutilated, Lost, Destroyed or Stolen.....	11
Section 2.10.	Book-Entry System.....	12

ARTICLE III

PROCEEDS OF BONDS

Section 3.01.	Delivery of Bonds	14
Section 3.02.	Establishment of Funds and Accounts and Deposit and Use of Proceeds of Bonds	15
Section 3.03.	Construction Fund	15

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01.	Redemption of Bonds	16
Section 4.02.	Selection of Bonds To Be Redeemed	16
Section 4.03.	Notice of Redemption.....	16
Section 4.04.	Partial Redemption of Bonds.....	17
Section 4.05.	Effect of Redemption of Bonds	17

ARTICLE V

INSTALLMENT PAYMENTS

Section 5.01.	Assignment of Revenues	17
Section 5.02.	Deposit of Revenues	18
Section 5.03.	Rebate Fund	18

Table of Contents
(continued)

Page

ARTICLE VI

COVENANTS

Section 6.01.	Compliance with Indenture and Installment Purchase Agreement.....	20
Section 6.02.	Tax Covenants	20
Section 6.03.	Prosecution and Defense of Suits	21
Section 6.04.	Accounting Records and Statements	21
Section 6.05.	Further Assurances	21

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01.	Events of Default	22
Section 7.02.	Remedies Upon Event of Default	22
Section 7.03.	Application of Revenues and Other Funds After Default.....	23
Section 7.04.	Trustee to Represent Bond Owners	23
Section 7.05.	Bond Owners' Direction of Proceedings	24
Section 7.06.	Limitation on Bond Owners' Right to Sue	24
Section 7.07.	Absolute Obligation of Issuer	25
Section 7.08.	Termination of Proceedings.....	25
Section 7.09.	Remedies Not Exclusive.....	25
Section 7.10.	No Waiver of Default	25

ARTICLE VIII

THE TRUSTEE

Section 8.01.	Employment and Duties of the Trustee	25
Section 8.02.	Removal and Resignation of the Trustee.....	25
Section 8.03.	Compensation and Indemnification of the Trustee.....	26
Section 8.04.	Protection of the Trustee.....	27

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

Section 9.01.	Amendment or Supplement by Consent of Owners	28
Section 9.02.	Disqualified Bonds	29
Section 9.03.	Endorsement or Replacement of Bonds After Amendment or Supplement.....	29
Section 9.04.	Amendment or Supplement by Mutual Consent.....	29

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Bonds and Indenture.....	30
----------------	---------------------------------------	----

Table of Contents
(continued)

Page

Section 10.02. Unclaimed Money 32

ARTICLE XI

MISCELLANEOUS

Section 11.01. Benefits of the Indenture Limited to Parties 32
Section 11.02. Successor Deemed Included in All References to Predecessor 32
Section 11.03. Execution of Documents by Owners 33
Section 11.04. Waiver of Personal Liability 33
Section 11.05. Content of Certificates 33
Section 11.06. Notice by Mail 34
Section 11.07. Funds 34
Section 11.08. Deposits and Investments 34
Section 11.09. Article and Section Headings, Gender and References 35
Section 11.10. Partial Invalidity 35
Section 11.11. California Law 35
Section 11.12. Notices 35
Section 11.13. Execution in Counterparts 36
Section 11.14. Effective Date 36

EXHIBIT A FORM OF BOND A-1

EXHIBIT B CERTIFICATE OF CITY MANAGER B-1

INDENTURE OF TRUST

This INDENTURE OF TRUST (the "Indenture"), executed and entered into as of _____ 1, 2013, by and between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws to the United States of America (the "Trustee") and OCEANSIDE PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Issuer");

WITNESSETH

WHEREAS, the Issuer desires to assign without recourse all its rights to receive the Revenues (as hereinafter defined) scheduled to be paid by the City of Oceanside ("the City") to the Issuer under and pursuant to the Installment Purchase Agreement (as hereinafter defined); and

WHEREAS, in consideration of such assignment and the execution and entering into of this Indenture, the Trustee has agreed to authenticate and deliver bonds (the "Bonds") in an aggregate principal amount equal to \$ _____; 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 this Indenture 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 this Indenture;

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:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Installment Purchase Agreement. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Authorized Denominations. The term "Authorized Denominations" means \$5,000 or any integral multiple thereof.

Bond Payment Fund. The term "Bond Payment Fund" means the fund by that name established pursuant to Section 3.02.

Bonds. The term “Bonds” means the Oceanside Public Financing Authority Sewer Revenue Refunding Bonds, Series 2013A in the aggregate principal amount of \$ _____.

Book-Entry System. The term “Book-Entry System” means the system maintained by the Securities Depository and described in Section 2.10 hereof.

Business Day. The term “Business Day” means any day other than: (i) a Saturday or Sunday; or (ii) a day on which banks located in the city in which the Corporate Trust Office of the Trustee is located are authorized or required to remain closed; or (iii) a day on which The New York Stock Exchange is closed.

Certificate; Request. The term “Certificate” or “Request” means: (i) with respect to the City, an instrument in writing signed on behalf of the City by the City Manager, or by any other officer of the City duly authorized by the City Council to sign documents on its behalf with respect to the matters referred to therein; and (ii) with respect to the Issuer, by the Executive Director of the Issuer, or by any other officer of the Issuer duly authorized by the Board of Directors of the Issuer to sign documents on its behalf with respect to the matters referred to therein.

City Manager. The term “City Manager” means the City Manager of the City.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect with respect thereto.

Construction Fund. The Term “Construction Fund” means the fund by that name established in accordance with Section 3.03 hereof.

Delivery Date. The term “Delivery Date” means the date of the delivery of the Bonds to the initial purchaser thereof.

DTC. The term “DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

Depository. The term “Depository” means DTC or another recognized securities depository selected by the Issuer which maintains a book-entry system for the Bonds.

Event of Default. The term “Event of Default” means an Event of Default as defined in Section 8.1 of the Installment Purchase Agreement.

Favorable Opinion of Special Counsel. The term “Favorable Opinion of Special Counsel” means an opinion of Special Counsel addressed to the City and the Trustee to the effect that an action proposed to be taken is not prohibited by the laws of the State or this Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Hazardous Substances. The term “Hazardous Substances” means any hazardous substances, wastes, pollutants or contaminants now or hereafter included in such (or any similar) term under any federal, state, or local statute, code, ordinance or regulation now in effect or hereafter enacted or amended.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any form of certified public accountants appointed by the Issuer which is

independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Indenture. The term “Indenture” means this Indenture of Trust executed and entered into as of _____ 1, 2013 by and between the Trustee and the Issuer, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

Information Services. The term “Information Services” means national information services that disseminate securities redemption notices; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the City may specify in a Certificate to the Trustee.

Installment Payment Date. The term “Installment Payment Date” means each date on which Installment Payments are scheduled to be paid by the City pursuant to the Installment Purchase Agreement.

Installment Payments. The term “Installment Payments” means the installment payments payable by the City pursuant to the Installment Purchase Agreement and in the amounts and at the times set forth in the Installment Purchase Agreement.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of _____ 1, 2013, by and between the City and the Issuer, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Interest Account. The term “Interest Account” means the account by that name established pursuant to Section 3.02 hereof.

Interest Payment Date. The term “Interest Payment Date” means May 1 and November 1 of each year, commencing November 1, 2013.

Issuance Costs. The term “Issuance Costs” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Installment Purchase Agreement, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, the initial fees and expenses of the Trustee, 2003 Escrow Agent and 2008 Escrow Agent and its counsel and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the City.

Issuance Costs Fund. The term “Issuance Costs Fund” means the fund by that name established pursuant to Section 3.02 hereof.

Issuer. The term “Issuer” means the Oceanside Public Financing Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California.

Letter of Representations. The term “Letter of Representations” means the letter of the City and the Trustee delivered to and accepted by the Depository on or prior to delivery of the Bonds as book-entry certificates setting forth the basis on which the Depository serves as depository for such

book-entry certificates, as originally executed or as it may be supplemented or revised or replaced by a letter from the City and the Trustee delivered to and accepted by the Depository.

Maturity Date. The term “Maturity Date” means May 1 of each year commencing in 2014 and ending in 2028.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency (other than S&P) designated by the Issuer by written notice to the Trustee.

1991 Project. The term “1991 Project” has the meaning given in the Installment Purchase Agreement.

1993 Project. The term “1993 Project” has the meaning given in the Installment Purchase Agreement.

1993 State Loan. The term “1993 State Loan” has the meaning given in the Installment Purchase Agreement.

Nominee. The term “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. The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.02) all Bonds except: (i) Bonds canceled by the Trustee or delivered to the Trustee for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

Owner. The term “Owner” or “Bond Owner” or “Owner of Bonds” or any similar term, when used with respect to the Bonds, means any person who shall be the registered owner of any Outstanding Bond.

Participant. The term “Participant” means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

Person. The term “Person” means a natural person or any legal entity.

Permitted Investments. The term “Permitted Investments” means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the Issuer.

The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements.

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation); and
- (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 backed 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); and State and Local Government Series.

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).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (c) 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; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;
- (d) 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 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;
- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "A-1" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (g) Investments in a money market fund rated "AAm", "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee or an affiliate provides investment advice for other services;
- (h) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or 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:
 - (1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

- (2) (i) 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 (b) above, which escrow may be applied only to the payment of such principal 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 (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal 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;
- (i) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;
- (j) Investment Agreements (supported by appropriate opinions of counsel);
- (k) 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;
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code §6509.7. To be eligible for purchase, the pool must meet the requirements of CGC §53601(p); and
- (m) Certificates of deposit insured by the Federal Deposit Insurance Corporation.

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

- (a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at cost;
- (b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and
- (c) As to any investment not specified above: the value thereof established by prior agreement among the Issuer and the Trustee.

Principal Account. The term “Principal Account” means the account by that name established pursuant to Section 3.02 hereof.

Principal Corporate Trust Office. The term “Principal Corporate Trust Office” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the City, the Issuer and the Owners.

Project Costs. The term “Project Costs” means all costs of acquiring, constructing and installing the 2013 Project, including, but not limited to:

- (a) all costs which the Issuer or the City shall be required to pay to a seller or any other person under the terms of any contract or contracts for the purchase of the 2013 Project;

(b) all costs which the Issuer or the City shall be required to pay a contractor or any other person for the acquisition, construction and installation of the 2013 Project;

(c) obligations of the Issuer or the City incurred for services (including obligations payable to the Issuer or the City for actual out-of-pocket expenses of the Issuer or the City) in connection with the acquisition, construction and installation of the 2013 Project, including reimbursement to the Issuer or the City for all advances and payments made in connection with the 2013 Project prior to or after delivery of the Bonds;

(d) the actual out-of-pocket costs of the Issuer or the City for surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the 2013 Project, including administrative expenses relating to the acquisition, construction and installation of the 2013 Project; and

(e) any sums required to reimburse the Issuer or the City for advances made by the Issuer or the City for any of the above items or for any other costs incurred and for work done by the Issuer or the City which are properly chargeable to the 2013 Project.

Rebate Fund. The term “Rebate Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.03 hereof.

Record Date. The term “Record Date” means the fifteenth (15th) day of the month immediately preceding an Interest Payment Date.

Redemption Account. The term “Redemption Account” means the account by that name established pursuant to Section 3.02.

Redemption Price. The term “Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount with respect to such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

Revenues. The term “Revenues” means amounts received by the Issuer pursuant to or with respect to the Installment Purchase Agreement and all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder.

Securities Depository. The term “Securities Depository” means DTC or, if applicable, any successor securities depository appointed pursuant to Section 2.10 hereof.

S&P. The term “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s) designated by the Issuer by written notice to the Trustee.

Special Counsel. The term “Special Counsel” means any attorney at law or firm of attorneys selected by the City, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest with respect to obligations of states and political subdivisions.

State. The term “State” means the State of California.

Statement of the Issuer or the City. The term “Statement of the Issuer or the City” means a statement signed by or on behalf of: (i) the Issuer by its Chair, Treasurer or Executive Director; or (ii) the City by the Mayor, City Manager or the Finance Director or by any two persons (whether or not officers of the City) who are specifically authorized by resolution of the City to sign or execute such a document on its behalf.

Tax Certificate. The Term “Tax Certificate” means the Tax Certificate dated the date of initial issuance of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds executed by and delivered to the City on the date of execution and delivery of the Bonds, including any and all exhibits attached thereto.

2000 Project. The term “2000 Project” has the meaning given in the Installment Purchase Agreement.

2008 Certificates. The term “2008 Certificates” means the \$10,540,000 City of Oceanside Revenue Refunding Certificates of Participation, Series 2008.

2008 Escrow Agent. The term “2008 Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., as escrow agent pursuant to the 2008 Escrow Agreement.

2008 Escrow Agreement. The term “2008 Escrow Agreement” means the escrow agreement dated as of _____ 1, 2013 by and between the Issuer and the Escrow Agent relating to the prepayment of the 2008 Certificates.

2008 Escrow Fund. The term “2008 Escrow Fund” means the fund established and held by the 2008 Escrow Agent pursuant to the 2008 Escrow Agreement.

2003 Certificates. The term “2003 Certificates” means the \$11,080,000 City of Oceanside Revenue Certificates of Participation (1993 Wastewater System Refunding Project), Series 2003.

2003 Escrow Agent. The term “2003 Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., as escrow agent pursuant to the 2003 Escrow Agreement.

2003 Escrow Agreement. The term “2003 Escrow Agreement” means the escrow agreement dated as of _____ 1, 2013 by and between the Issuer and the Escrow Agent relating to the prepayment of the 2003 Certificates.

2003 Escrow Fund. The term “2003 Escrow Fund” means the fund established and held by the 2003 Escrow Agent pursuant to the 2003 Escrow Agreement.

2013 Project. The term “2013 Project” has the meaning given in the Installment Purchase Agreement.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association, duly organized and existing under and by virtue of the laws of the United States, having a principal corporate trust office in Los Angeles, California, or its successor as Trustee hereunder.

Written Consent of the Issuer or the City; Written Order of the Issuer or the City; Written Request of the Issuer or the City; Written Requisition of the Issuer or the City. The terms “Written Consent of the Issuer or the City,” “Written Order of the Issuer or the City,” “Written Request of the Issuer or the City,” and “Written Requisition of the Issuer or the City” mean, respectively, a written consent, order, request or requisition signed by or on behalf of: (i) the Issuer by its Chair, Treasurer, Executive Director; or (ii) the City by the Mayor, City Manager or its Finance Director or by any two persons who are specifically authorized by resolution of the City to sign or execute such a document on its behalf.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Owners, the Indenture 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 and principal and redemption premiums, if any, on the Bonds, subject to the agreements, conditions, covenants and terms contained herein, including without limitation the terms included in Article VIII hereof; 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 benefit, protection or security of any Bonds over any other Bonds by reason of the number or date thereof or the time of sale, execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

CONDITIONS AND TERMS OF BONDS

Section 2.01. Preparation of Bonds. The Trustee is hereby authorized to authenticate and deliver the Bonds, to be denominated “Oceanside Public Financing Authority Sewer Revenue Refunding Bonds, Series 2013A” in an aggregate principal amount of \$ _____.

Section 2.02. Denominations; Dating. The Bonds shall be prepared in the form of fully registered Bonds in Authorized Denominations. The Bonds shall be dated the initial date of delivery thereof.

Section 2.03. Payment of Principal and Interest with Respect to Bonds.

(a) **Bonds.** Bonds shall become payable on May 1 of each of the years in the principal amount and shall bear interest at the rates set forth in a Certificate of the City Manager in the form attached hereto as Exhibit B to be delivered to the Trustee upon the initial issuance of the Bonds.

(b) **Amounts Due.** Principal or Redemption Price due on the Bonds at maturity or redemption thereof, whichever is earlier, shall, to the extent of the aggregate principal amount stated upon the Bonds, represent the sum of those portions of the Installment Payments designated as principal coming due on the Installment Payment Dates immediately preceding the Payment Dates in each year.

(c) **Payment of Interest.** Interest on the Bonds shall be paid on each Interest Payment Date and redemption date and on the Maturity Date therefor. However, if, as shown by the records of the Trustee, interest on the Bonds is in default, Bonds issued in exchange for Bonds

surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds so surrendered or, if no interest has been paid on the Bonds, from the date thereof.

(d) Interest Accrual. Interest on the Bonds shall accrue on the basis of a 360-day year based on twelve 30-day months.

(e) Method and Place of Payment. The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Such amounts shall be paid by the Trustee on the applicable payment dates by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the applicable Record Date in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment shall be made, such payments shall be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money.

Section 2.04. Form of Bonds. The Bonds and the form of assignment to appear thereon shall be in substantially the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.05. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Issuer before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer, and also any Bonds may be signed and attested on behalf of the Issuer by such persons as at the actual date of execution of such Bonds shall be the proper officers of the Issuer although at the nominal date of such Bonds any such person shall not have been such officer of the Issuer.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08, by the

person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall authenticate and deliver a new Bond or Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Bonds the Trustee shall cancel and destroy the Bonds it has received.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary Bonds for definitive Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds, the Trustee shall cancel and destroy the Bonds it has received.

The Trustee shall not be required to register the exchange or transfer pursuant to Section 2.06 hereof, of any Bond (i) within 15 days preceding selection of Bonds for redemption or (ii) selected for redemption.

Section 2.08. Bond Registration Books. The Trustee will keep or cause to be kept, at the Principal Corporate Trust Office of the Trustee, sufficient books for the registration and transfer of the Bonds, which shall upon reasonable prior notice and at all reasonable times be open to inspection by the Issuer or the City; 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, Bonds as hereinbefore provided.

The person in whose name any Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal of and Redemption Price represented by such Bond shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such Bond to the extent of the sum or sums so paid.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee shall authenticate and deliver a new Bond of like series, tenor, maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated.

Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed. If any Bond 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 indemnity satisfactory to the Trustee shall be given indemnifying the Trustee, the Issuer and the City, the Trustee, at the expense of the Bond Owner, shall authenticate and deliver a new Bond of like series,

tenor and maturity, and numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond executed under this Section and of the expenses which may be incurred by the Trustee under this Section. Any Bond executed and authenticated under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. The Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.10. Book-Entry System.

(a) Bonds shall be issued in fully registered form and shall be initially issued registered in the name of "Cede & Co.," as nominee of The Depository Trust Company in accordance with this Section 2.10. The Bonds shall be evidenced by one bond maturing on each stated Maturity Date of Bonds. The Bonds may be assigned by the Trustee a distinctive number or letter and number, and a record of the same shall be maintained by the Trustee. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Section 2.10.

With respect to book-entry Bonds, the Issuer 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 Bonds. Without limiting the immediately preceding sentence, the Issuer 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 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond registration books, of any notice with respect to book-entry Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the Issuer redeems the Bonds 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 with respect to book-entry Bonds. The Issuer and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the Bond registration books as the absolute Owner of such book-entry Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest evidenced and borne by the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond registration books, shall receive a Bond evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and borne by the Bonds. 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 Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository's book-entry system, the Issuer and the Trustee shall execute and deliver to the Depository, if required by the Depository, a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Issuer or the Trustee any obligation whatsoever with respect to persons having interests in such book-entry Bonds other than the Owners, as shown on the Bond registration books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the Issuer and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository's book-entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book-entry Bonds; or (ii) the Issuer determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Bonds or the Issuer, then the Issuer will discontinue the book-entry system with the Depository. If the Issuer determines to replace the Depository with another qualified securities depository, the Issuer shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturity dates of such book-entry Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the Issuer fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such Bond register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Sections 2.06 and 2.07 hereof.

(d) Payments To Depository. Notwithstanding any other provision of this Indenture to the contrary, so long as all Outstanding Bonds are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, redemption premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively to the Nominee, 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.

(e) Transfer of Bonds to Substitute Depository.

(i) The Bonds shall be initially authenticated and delivered as provided in Section 2.01 hereof. Registered ownership of such Bonds, 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 subsection ("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: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (ii) a determination by the Issuer 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: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or; (ii) a determination by the Issuer 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 subsection, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Issuer to the Trustee designating the Substitute Depository, a single new Bond, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered for each series and maturity of Bonds 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 Issuer. In the case of any transfer pursuant to clause (C) of subsection (i) of this subsection, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Issuer to the Trustee, new Bonds, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered in such denominations and registered in the names of such persons as are requested in such written request of the Issuer, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the Issuer.

(iii) In the case of a partial redemption or an advance refunding of any Bonds 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 Bonds 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 Issuer and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Issuer; and the Issuer and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Issuer 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 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

ARTICLE III

PROCEEDS OF BONDS

Section 3.01. Delivery of Bonds. The Trustee is hereby authorized to authenticate and deliver the Bonds to the purchaser thereof upon receipt of a Request of the Issuer and upon receipt of the proceeds of sale thereof.

Section 3.02. Establishment of Funds and Accounts and Deposit and Use of Proceeds of Bonds.

(a) There is hereby established with the Trustee the following funds and accounts for the Bonds: the Issuance Costs Fund and the Bond Payment Fund. Within the Bond Payment Fund there is hereby established an Interest Account, a Principal Account and a Redemption Account.

(b) Upon the receipt of payment for the Bonds on the Delivery Date, the Issuer will cause the Trustee to apply the proceeds of sale thereof as follows:

(i) to the Issuance Costs Fund, \$ _____, constituting an amount sufficient to pay Issuance Costs with respect to the Bonds;

(ii) to the Construction Fund, \$ _____, constituting an amount sufficient to pay the Project Costs.

(iii) transfer to the 2003 Escrow Agent \$ _____ for deposit in the 2003 Escrow Fund.

(iv) transfer to the 2008 Escrow Agent \$ _____ for deposit in the 2008 Escrow Fund.

(v) transfer to the City \$ _____, constituting the entire principal amount of and interest payable on the 1993 State Loan.

(c) Issuance Costs shall be paid from amounts on deposit in the Issuance Costs Fund. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a requisition Certificate from the City or the Issuer. Upon the earlier of the written direction from the Issuer to the effect that all Issuance Costs have been paid or on the six month anniversary of the initial issuance of the Bonds, the Trustee shall transfer any remaining money in the Issuance Costs Fund to the Bond Payment Fund and the Issuance Costs Fund shall thereafter be closed.

Section 3.03. Construction Fund.

(a) The Trustee shall establish and maintain a separate fund designated the "Construction Fund." On the Closing Date there shall be deposited in the Construction Fund the amount specified in Section 3.02(b)(ii) hereof.

(b) The moneys in the Construction Fund shall be used and withdrawn by the Trustee from time to time to pay the Project Costs upon submission of a Written Request of the City stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a Project Cost and is a proper charge against the Construction Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Construction Fund, in each case together with a statement or invoice for each amount requested thereunder.

(c) Upon the filing of a Written Certificate of the City stating that the 2013 Project has been completed and that all Project Costs have been paid, the Trustee shall transfer and apply the amount, if any, remaining in the Construction Fund (x) if such amount is equal to or greater

than \$50,000, to the Redemption Fund to be used to optionally redeem Bonds, provided that the amount so transferred shall not exceed the amount required to provide for the redemption of all Outstanding Bonds and (y) if such amount is less than \$50,000, to the Bond Payment Fund to be used for the purposes thereof.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Redemption of Bonds.

Optional Redemption. The Bonds shall be subject to optional redemption prior to their respective stated maturities, as determined by the City in a certificate of the City Manager attached hereto as Exhibit B, as a whole or in part on any date in the order directed by the City in a written request provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, on the dates and at the Redemption Price of such Bonds provided by the City in a certificate of the City Manager attached hereto as Exhibit B.

Section 4.02. Selection of Bonds To Be Redeemed. If any Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such Bonds (the minimum Authorized Denomination or any integral multiple thereof) may be redeemed pursuant to this Section, in which case the Trustee shall, without charge to the Owner, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof. In the case of a partial redemption of Bonds, the Trustee shall select the Bonds to be redeemed by lot at such times as directed by the City in writing at least thirty (30) days prior to the redemption date and if such selection is more than sixty (60) days before a redemption date, shall appropriately identify the Bonds so called for redemption by stamping them at the time any Bonds so selected for redemption is presented to the Trustee for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Trustee, and any Bond or Bonds issued in exchange for, or to replace, any Bond so called for prior redemption shall likewise be stamped or otherwise identified.

Section 4.03. Notice of Redemption. The City shall notify the Trustee at least forty-five (45) days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to the redemption date for Bonds pursuant to Section 4.01. Notice of redemption shall be mailed by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, (i) to the respective Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, (ii) to the Securities Depository by facsimile and by first-class mail, and (iii) to the Municipal Securities Rulemaking Board. Notice of redemption shall be given in the form and in accordance with the terms of this Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the Bonds of such maturity to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on

each of said Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the mailing will not affect the validity of the redemption of any Bond.

With respect to any notice of optional redemption of Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond of Authorized Denominations, and of the same Maturity Date and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.05. Effect of Redemption of Bonds. If notice of redemption having been duly given pursuant to Section 4.03 hereof, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, the Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of the Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Any defect as failure to receive notice shall not affect the sufficiency of the proceedings of redemption.

All Bonds redeemed pursuant to the provisions hereof shall be cancelled upon surrender thereof and destroyed.

ARTICLE V

INSTALLMENT PAYMENTS

Section 5.01. Assignment of Revenues. The Issuer, for good and valuable consideration, does hereby unconditionally grant, transfer and assign to the Trustee without recourse all its rights to receive the Revenues and enforce the Installment Purchase Agreement upon an event of default thereunder for the benefit of the Owners of the Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the City contained in the Installment Purchase Agreement, and the Trustee hereby accepts such assignment.

All Installment Payments shall be paid directly by the City to the Trustee, and all Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof for the benefit of the City until deposited in the funds provided in Section 5.02, whereupon such money shall be held in trust in such funds by the Trustee for the benefit of the Owners.

Section 5.02. Deposit of Revenues. The Trustee shall deposit all Revenues paid to it into the Bond Payment Fund and shall transfer such funds to the Interest Account, Principal Account and the Redemption Account in the manner and at the times hereinafter provided. The Bond Payment Fund (and all accounts contained therein) shall be maintained so long as any Bonds are Outstanding. All moneys in the Bond Payment Fund (and the accounts contained therein) shall be disbursed only for the purposes and uses hereinafter authorized; provided, that any money in such fund or accounts not required to pay the principal and interest and redemption premiums, if any, on the Bonds shall on the Business Day immediately following each Interest Payment Date, be transferred to the Issuer to be used for any lawful purpose of the Issuer.

(a) Interest Account. On or prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account that amount of money representing the portion of the Revenues constituting the interest becoming due and payable on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds on their respective Interest Payment Dates.

(b) Principal Account. On or prior to each maturity date (commencing on May 1, 2014), the Trustee shall transfer to the Principal Account that amount of money representing the portion of the Revenues constituting the principal becoming due and payable on such maturity date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds on their respective maturities.

(c) Redemption Account. Any prepayments paid to the Trustee pursuant to the Installment Purchase Agreement shall immediately be transferred to the Redemption Account. All money in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and redemption premiums, if any, on the Bonds to be redeemed on their respective optional or mandatory redemption dates.

Section 5.03. Rebate Fund.

(a) Establishment. The Trustee shall establish a separate fund designated the "Rebate Fund." Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Issuer shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate for the Bonds, unless and to the extent that the Issuer delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied.

(i) Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the Issuer shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the

Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The Issuer shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of the fifth Bond Year, upon the written request of the Issuer, an amount shall be deposited to the Rebate Fund by the Trustee from any Revenues legally available for such purpose (as specified by the Issuer in the aforesaid written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written Request of the Issuer, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Bond Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the Issuer, to the United States Treasury, out of amounts in the Rebate Fund,

(A) not later than 60 days after the end of (X) the fifth Bond Year, and (Y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

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

In the event that, prior to the time of any payment 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 Issuer shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment in full of the Bonds and the payments described in Subsection (a)(iii) above being made may be withdrawn by the Issuer upon written direction of the Issuer to the Trustee and utilized in any manner by the Issuer.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Bonds.

(d) Recordkeeping. The Issuer shall retain records of all determinations made hereunder until six years after the complete retirement of the Bonds.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of rebate if it follows the directions of the Issuer and it shall have no independent duty to review or such calculations or enforce compliance with such rebate requirements.

ARTICLE VI

COVENANTS

Section 6.01. Compliance with Indenture and Installment Purchase Agreement. The Issuer will not execute and the Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions hereof; and the Issuer will not suffer or permit any default by it to occur hereunder, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it.

The Issuer will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by the Issuer, and will enforce such agreements against the other party thereto in accordance with their terms.

Section 6.02. Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on Bonds will not be adversely affected for federal income tax purposes, the Issuer covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Issuer will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The Issuer will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guaranty. The Issuer will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The Issuer will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(e) Hedge Bonds. The Issuer will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Issuer takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(f) Miscellaneous. The Issuer will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Issuer in connection with each issuance of Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.03. Prosecution and Defense of Suits. The Issuer will defend against every action, suit or other proceeding at any time brought against the Trustee, the Issuer or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Installment Payments or involving any rights or obligations of the Trustee, the Issuer or any Owner hereunder; provided, that the Trustee, the Issuer or any Owner at its, his or her election may appear in and defend any such action, suit or other proceeding. The Issuer will indemnify and hold harmless the Trustee and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Owners against any attorneys’ fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights hereunder or under the Bonds; provided that such litigation shall be concluded favorably to such Owners’ contentions therein.

Section 6.04. Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with corporate trust industry standards in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the Bonds. Such records shall be open to inspection by the Issuer and by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day of each month, commencing on the first calendar month after the initial issuance of the Bonds, and continuing so long as any Bonds are Outstanding, the Trustee will furnish to the Issuer and to the City a complete statement covering the receipts, deposits and disbursements of the funds held by the Trustee hereunder for the preceding month; provided that the Trustee shall not be obligated to provide an accounting for any fund or account that: (a) has a balance of \$0.00; and (b) has not had any activity since the last reporting date.

Section 6.05. Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Issuer will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default by the Issuer in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Issuer in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or by the Owners of a majority in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Issuer the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the Issuer within such sixty (60) day period and diligently pursued in good faith until the default is corrected such failure shall not become an Event of Default.

(d) The Issuer shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Issuer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of its property.

Section 7.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall, upon notice in writing to the Issuer, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Issuer shall deposit with the Trustee a sum sufficient to pay all the principal of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision

deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

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

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of two hundred (200) basis points above the interest rate per annum on such overdue principal, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Section 7.04. Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or this Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of

action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Notwithstanding anything contained herein, the Trustee shall have no security interest in or mortgage on the Project (as defined in the Installment Purchase Agreement), any property of the City or other assets or property thereof and no default hereunder shall result in the loss of the Project, any property of the City or other assets or property thereof.

Section 7.05. Bond Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Section 7.06. Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Purchase Agreement or any other applicable law with respect to such Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners 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 failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; and (f) such suit, action or proceeding is instituted subject to this Indenture.

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

Section 7.07. Absolute Obligation of Issuer. Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.08. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Issuer, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence 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; provided, however, that every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Employment and Duties of the Trustee. The Issuer hereby appoints and employs the Trustee to receive, deposit and disburse the Revenues as provided herein, to prepare, authenticate, deliver, transfer, exchange and cancel the Bonds as provided herein, to pay the interest and principal and redemption premiums, if any, on the Bonds to the Owners thereof as provided herein, and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering the Indenture, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied obligations shall be read herein against the Trustee.

Section 8.02. Removal and Resignation of the Trustee. The Issuer may at any time, as long as an Event of Default, or an event which with notice or passage of time or both would become an Event of Default, has not occurred and is continuing, and shall, after any breach by the Trustee hereunder, remove the Trustee initially a party hereto and any successor thereto by giving written notice of such removal to the Trustee, and by giving notice by mail in accordance with Section 11.06 of such removal to all Owners of Bonds, and the Trustee initially a party hereto and any successor thereto may at any time resign by giving written notice of such resignation to the Issuer

and the City and by giving notice by mail in accordance with Section 11.06 of such resignation to all Owners of Bonds. Upon giving any such notice of removal or upon receiving any such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing; provided, that in the event the Issuer and the City do not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. No removal, resignation or termination of the Trustee shall take effect until a successor trustee shall be appointed. Any successor Trustee shall be a bank with trust powers or trust company doing business and having a principal corporate trust office in the United States of America, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital, (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000), unless the City consents to a lesser amount therefor, and shall be subject to supervision or examination by state or national authorities. 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 purposes 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. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee.

Section 8.03. Compensation and Indemnification of the Trustee. The Issuer shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee reasonable compensation for its services and reimburse the Trustee for all its reasonable advances and expenditures hereunder, including, but not limited to, advances to and the reasonable fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations hereunder; provided, except as otherwise provided in Section 7.04 hereof, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established hereunder, although the Trustee may take whatever legal actions are available to it directly against the Issuer to recover such compensation or reimbursement. To the extent permitted by law, the Issuer does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the Sewer System by the City including, the use, storage, preserve, disposal or release of any Hazardous Substances in or about the Sewer System, (ii) any act of negligence of the City or of any of its agents, contractors, directors, employees, invitees, licensees or officers in connection with the Sewer System, (iii) the authorization of the payment to any costs or expenses of the acquisition and construction of the Project, or (iv) the exercise of any rights or obligations of the Trustee hereunder; provided, that no indemnification will be made for willful misconduct or negligence hereunder by the Trustee.

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds.

Section 8.04. Protection of the Trustee. The Trustee shall be protected and indemnified as stated herein by the Issuer and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, 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 accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the City, before being required to take any action under this Indenture with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Installment Purchase Agreement or of the assignment made to it herein of all rights to receive the Revenues under the Installment Purchase Agreement, or of the title or value of the Project, and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof at its corporate trust office in Los Angeles, California. All recitals, warranties or representations contained therein are statements of the City, and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the City, or any other party, of any funds which the Trustee properly releases to the City or which the City may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Trustee of the Indenture, any Bond, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Indenture), or with respect to any obligation of the Issuer or the City hereunder or for the sufficiency of any insurance on the Sewer System.

Whenever in the observance or performance of its rights and obligations hereunder or under the Bonds, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, the Trustee may request a Certificate of the City and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the City, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, 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.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as it were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the City, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Issuer or the City as freely as if it were not the Trustee hereunder. The Trustee shall not be answerable for the exercise of any of its rights hereunder or for the performance of any of its obligations hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

No provision of this Indenture 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, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be responsible for monitoring the compliance of the City and the Issuer with the covenants as set forth in Sections 5.03 and 6.02 hereof and Section 6.5 of the Installment Purchase Agreement and may conclusively rely on all written instructions and calculations of the City and the Issuer with respect thereto; provided, the Trustee shall promptly comply with all such written instructions as provided in Sections 5.03 and 6.02.

The Issuer shall not be deemed to be an agent of the Trustee and the Trustee shall not be liable for the acts or omissions of the Issuer in connection with the transactions contemplated hereby and by the Installment Purchase Agreement.

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 Bonds.

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

Section 9.01. Amendment or Supplement by Consent of Owners. The Indenture and the rights and obligations of the Issuer, the City, Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02, are filed with the Trustee. No such amendment or supplement shall: (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected; or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the Issuer, the City, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon an Opinion of Special Counsel or a Certificate of the City), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Issuer or the City other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the City, or to surrender any right reserved herein to or conferred herein on the Issuer or the City, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement this Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of this Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Issuer or the City may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in the Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Issuer shall give written notice of any amendment to the Indenture and the rights and obligations of the Issuer and the City and the Owners and the Trustee hereunder to Moody's and S&P not less than fifteen (15) days prior to the execution thereof.

Section 9.02. Disqualified Bonds. Bonds known to the Trustee to be held for the account of the Issuer or the City (but excluding Bonds held in any pension or retirement fund of the Issuer or the City) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided herein, and shall not be entitled to consent to or take any other action provided herein, and the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for herein shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this Section.

Section 9.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case, upon demand of the Owner of any Outstanding Bond and presentation of the Bond for such purpose at the corporate trust office of the Trustee in Los Angeles, California, a suitable notation as to such action shall be made on such Bond. If the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged without cost to each Owner for Bonds then Outstanding at the corporate trust office of the Trustee in Los Angeles, California, upon surrender of such Outstanding Bonds. All Bonds surrendered to the Trustee pursuant to the provisions of this Section shall be canceled by the Trustee and shall not be redelivered.

Section 9.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment or supplement as to the particular Bonds owned by him or her; provided, that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Bonds and Indenture.

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal and redemption premiums, if any, evidenced and represented thereby at the times and in the manner provided herein and therein, then all agreements and covenants of the Issuer and the City to such Owners hereunder shall thereupon cease, terminate and become void and shall be completely discharged and satisfied.

(b) Any Outstanding Bonds shall on their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if there shall be on deposit with the Trustee money held in trust for the benefit of the Owners of such Bonds which is sufficient to pay the interest and principal and redemption premiums, if any, on such Bonds payable on and prior to their maturities or their mandatory redemption dates thereto.

(c) Any Outstanding Bonds shall prior to their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if: (1) in case any of such Bonds are to be redeemed on any date prior to their maturities, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such Bonds of the redemption of such Bonds on such mandatory redemption dates; (2) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Permitted Investments defined in clauses (a) or (b) of the definition thereof, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the interest on such Bonds on and prior to the earlier of their maturities or their mandatory redemption dates, as the case may be, and the principal and redemption premiums, if any, on such Bonds; and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating their maturities or their mandatory redemption dates prior thereto upon which money is to be available for the payment of the interest and principal and redemption premiums, if any, on such Bonds.

(d) The Trustee shall, if so directed by the Issuer pursuant to a Request of the Issuer: (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date; or (ii) prior to the mailing of the notice of redemption referred to in clause (c) above with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee with respect to such Bonds and redeem or sell Permitted Investments so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and Permitted Investments remaining on deposit with the Trustee

after the purchase and cancellation of such Bonds shall be sufficient to pay when due the interest on those Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on such Bonds, with respect to which such moneys and Permitted Investments are being held by the Trustee on or prior to the Redemption Date or maturity date thereof; as the case may be. If, at any time: (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date; or (ii) prior to the mailing of the notice of redemption referred to in clause (c) with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, the Issuer shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or Redemption Date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from the Issuer to the Trustee in the form of a Request of the Issuer as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this Section 10.01. The directions given by the Issuer to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 10.01 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 10.01 on any date or dates prior to their maturity.

In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 10.01 the total amount of moneys and Permitted Investments remaining on deposit with the Trustee under this Section 10.01 is in excess of the total amount which would have been required to be deposited with the Trustee on such date with respect to the remaining Bonds in order to satisfy subclause (2) of subsection (c) of this Section 10.01, the Trustee shall, if requested by the City pursuant to a request of the City, pay the amount of such excess to the City free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture; provided, however, before any such excess is transferred to the City, the City and the Trustee shall have received a report of an Independent Certified Public Accountant to the effect that the amount of moneys and the principal of and interest when due on the Permitted Investments remaining on deposit with the Trustee after such amount is transferred to the City shall be sufficient to pay when due the interest on such Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, of such Bonds.

Except as otherwise provided in this subsection (d) of this Section 10.01, neither Permitted Investments nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Permitted Investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Permitted Investments deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Indenture, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Permitted Investments maturing at times and in amounts sufficient to pay when due the interest on the Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on the Bonds and interest earned from such reinvestment shall be paid over to the City, as

received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Indenture.

(e) After the payment of all interest and principal and redemption premiums, if any, of all Outstanding Bonds as provided in subsections (a) or (b) of this Section, and the payment of all fees and expenses of the Trustee, upon receipt of a Request of the City, the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the Issuer and the City and shall authenticate and deliver to the Issuer and the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the City all money or investments held by it pursuant hereto which are not required for the payment of the interest and principal and redemption premiums, if any, evidenced and represented by such Bonds, which money and investments shall be used by the City for any lawful purpose.

Section 10.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal or redemption premium, if any, on any Bonds which remains unclaimed for two (2) years after the date when the payments on such Bonds have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal and redemption premiums, if any, on such Bonds have become payable, shall be repaid by the Trustee to the Issuer as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of the interest and principal and redemption premiums, if any, on such Bonds; provided, that before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, give notice by mail in accordance with Section 11.06 to Owners of Bonds with respect to which moneys remain unclaimed that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Issuer.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Benefits of the Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to confer upon, or to give or grant to, any person or entity other than the Issuer, the City, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Issuer or the City shall be for the sole, exclusive benefit of the Trustee and the Owners.

Section 11.02. Successor Deemed Included in All References to Predecessor. Whenever either the Issuer, the City or the Trustee or any officer, director or employee thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Issuer, the City or the Trustee or such officer, director or employee, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Issuer, the City or the Trustee or any officer, director or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.03. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof; or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, acceptance, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Issuer or the City or the Trustee in good faith and in accordance therewith.

Section 11.04. Waiver of Personal Liability. No officer, director or employee of the City, the Issuer or the Trustee shall be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the Bonds, but nothing contained herein shall relieve any officer, director or employee of the Issuer, the City or the Trustee from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or hereby.

Section 11.05. Content of Certificates. Every certificate with respect to compliance with any agreement, condition, covenant or term contained herein shall include: (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any certificate may be based, insofar as it relates to legal matters, upon an Opinion of Special Counsel unless the person or persons executing such certificate know that the Opinion of Special Counsel with respect to the matters upon which his, her or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Special Counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the City, upon a representation by an officer or officers of the City unless the counsel executing such Opinion of Special Counsel knows that the representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 11.06. Notice by Mail. Any notice required to be given hereunder by mail to any Owners of Bonds shall be given by mailing a copy of such notice, first class postage redeemed, to the Owners of such Bonds at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 not less than fifteen (15) days nor more than thirty (30) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

Section 11.07. Funds. Any fund required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. In addition to the funds and accounts required to be established hereunder, the Trustee may establish such other funds and accounts as it deems necessary or appropriate to perform its obligations.

Section 11.08. Deposits and Investments.

(a) Any money held by the Trustee in any of the funds provided herein shall be deposited pursuant to clause (g) of the definition of Permitted Investments; provided, that any such money shall be invested by the Trustee as directed by the Issuer pursuant to a Request of the Issuer in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder.

(b) The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by them hereunder, and the Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by them under the terms of and in accordance with this Section. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish periodic cash transaction statements to the Issuer which include detail for all investment transactions made by the Trustee hereunder.

(c) Subject to Section 5.03 and subsection (d) of this Section, any interest or profits on such deposits and investments received by the Trustee shall be retained in the fund or account to which they relate and on or before February 1 and August 1 of each year shall be transferred first, if the Issuer so directs, to the Rebate Fund, and second, shall be transferred to the Interest Account of the Bond Payment Fund.

(d) Trustee shall deposit earnings on investments in the Bond Payment Fund to the Interest Account, Principal Account or Redemption Account of the Bond Payment Fund, to the extent money is needed therein to make the interest or principal payment or redemption premiums, if any, as the case may be, on such Interest Payment Date, maturity date, or Redemption Date.

Section 11.09. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “hereof” “hereto,” “herewith,” “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular article, section, subdivision or clause thereof.

Section 11.10. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Issuer or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Trustee and the Issuer hereby declare that they would have executed and entered into the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.11. California Law. THE INDENTURE SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.12. Notices. All written notices to be given hereunder shall be given by first class mail, postage redeemed, to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Trustee:

The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust Department

If to the Issuer:

Oceanside Public Financing Authority
300 North Coast Highway
Oceanside, California 92054
Attention: Executive Director

If to the City:

City of Oceanside
300 North Coast Highway
Oceanside, California 92054
Attention: City Manager

The Trustee shall give notices to the S&P upon (i) redemption of all Outstanding Bonds, (ii) acceleration of amounts due with respect to the Bonds, (iii) amendments to the Indenture, or (iv) any defeasance of the Bonds. Notices to S&P shall be mailed to the following address: Standard & Poor's, 55 Water Street, 38th Floor, New York, NY, 10041, Attn: Municipal Structured Surveillance.

Section 11.13. Execution in Counterparts. The Indenture may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 11.14. Effective Date. The Indenture shall become effective upon its execution and delivery.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into the Indenture by their officers hereunto duly authorized as of the day and year first above written.

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

By: _____
Title: Authorized Officer

OCEANSIDE PUBLIC FINANCING AUTHORITY

By: _____
Title: Executive Director

EXHIBIT A

[FORM OF BOND]

No. _____

\$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**OCEANSIDE PUBLIC FINANCING AUTHORITY
SEWER REVENUE REFUNDING BONDS, SERIES 2013A**

Interest Rate	Maturity Date	Dated Date	CUSIP
_____ %	May 1, 20__	_____, 2013	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The OCEANSIDE PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an Interest Payment Date (the "Record Date") and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before October 15, 2013, in which event it shall bear interest from the Dated Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond), at the interest rate per annum specified above, payable on each Interest Payment Date as determined in the Indenture of Trust, dated as of _____ 1, 2013, by and between the Authority and the Trustee relating to the Bonds (the "Indenture"). Interest with respect to this Bond shall be paid on each Interest Payment Date at the interest rate set forth above and shall be computed on the basis of a 360-day year consisting of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable in lawful money of the United States of America upon presentation and surrender at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in New York, New York, or at such other or additional offices as may be specified in writing by the Trustee to the Authority and the registered owners (the "Principal Corporate Trust Office"). Interest hereon is payable by check of the Trustee sent by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the Record Date immediately preceding each Interest Payment Date (except that in the case of a registered owner of

one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account within the United States of America in accordance with written instructions provided to the Trustee by such registered owner prior to the Record Date).

This Bond is not a debt of the members of the Authority, the State of California, or any of its political subdivisions, and neither the members of the Authority or said State, nor any of its political subdivisions, is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues (as such term is defined in the Indenture) and other amounts pledged therefor under the Indenture. The Bonds (as hereinafter defined) do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

The Bonds are authorized to be issued in the form of fully registered Bonds in Authorized Denominations; provided that no Bond shall have principal represented thereby maturing in more than one year. Subject to the limitations and conditions and upon payment of the taxes and governmental charges provided in the Indenture, Bonds may be exchanged or transferred as provided in the Indenture at the Principal Corporate Trust Office of the Trustee.

Capitalized terms used herein and not defined herein have the meaning assigned thereto in the Indenture.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Joint Exercise of Powers Agreement, dated as of January 23, 2002, by and among the members of the Authority (the "Joint Exercise of Powers Agreement") and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by Resolution _____, adopted by the Board of Directors of the Authority on _____, 2013, (the "Resolution") or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

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

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Oceanside Public Financing Authority Sewer Revenue Refunding Bonds, Series 2013A" (the "Bonds"), of an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, or interest rates) and all issued pursuant to the provisions of the Joint Exercise of Powers Agreement and the laws of the State of California and pursuant to the Indenture and the Resolution authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance and refinance the acquisition and construction of certain facilities, and to prepay certain of the City's outstanding obligations.

This Bond and the interest and premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a pledge and a first and exclusive lien on the Revenues. As and to the extent set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to secure the payment of the principal of and interest and premium (if any) on the Bonds; provided that out of Sewer Revenues and amounts on deposit in the Sewer Revenue Fund and the Rate Stabilization Fund there may be apportioned such sums for such purposes as are expressly permitted in the Indenture.

The Bonds shall be subject to redemption prior to maturity as follows:

The Bonds maturing on and before May 1, _____ are not subject to optional redemption prior to their stated maturities. The Bonds maturing on and after May 1, _____ shall be subject to optional redemption at any time on and after May 1, _____, in whole, or in part, in such order as the City in a written request provided to the Trustee, in Authorized Denominations, from any source of available funds provided to the Authority by or at the discretion of the City, at the Redemption Price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium.

The Indenture and the rights and obligations of the Issuer and the City and Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment or supplement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected, or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the Issuer and the City and the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment or supplement which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon an Opinion of Special Counsel or a Certificate of the City), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements:

(a) to add to the agreements, conditions, covenants and terms contained therein required to be observed or performed by the Issuer or the City other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the City, or to surrender any right reserved therein to or conferred therein on the Issuer or the City, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement the Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Issuer or the City may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in the Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Trustee has no obligation or liability to the registered owners of the Bonds for the payment of interest, principal or redemption premium, if any, with respect to the Bonds out of the Trustee's own funds; the Trustee's sole obligations are those described in the Indenture.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney, at the Office of the Trustee but only in the manner subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for a like aggregate principal amount and of like maturity will be issued to the transferee in exchange therefor.

Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer of or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

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

IN WITNESS WHEREOF, the OCEANSIDE PUBLIC FINANCING AUTHORITY has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its President and attested to by the facsimile signature of its Secretary, all as of this ____ day of _____, 2013.

OCEANSIDE PUBLIC FINANCING
AUTHORITY

By: _____
President

ATTEST:

By: _____
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

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

Dated: _____, 2013

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

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____, attorney, to transfer the same on the
registration books of the Trustee with full power of substitution in the premises.

Dated: _____, 20__

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

Signature Guaranteed:

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

EXHIBIT B

CERTIFICATE OF CITY MANAGER

I, Peter Weiss, am the duly authorized City Manager of the City of Oceanside (the "City") and, in accordance with Sections 2.03(a) and 4.01 of the Indenture of Trust dated as of _____ 1, 2013 (the "Indenture") by and between the Oceanside Public Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as Trustee, set forth the following:

1. In accordance with Section 2.03(a) of the Indenture, the Bonds in the aggregate principal amount of \$ _____ shall become payable on May 1 in the years and bear interest at the rate set forth below:

<i>(May 1)</i>	<i>Principal</i>	<i>Interest Rate</i>
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2. In accordance with Section 4.01 of the Indenture, the Bonds maturing on or after May 1, _____ are subject to optional redemption, in whole or in part, at any time on and after May 1, _____ in the order directed by the City in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, in integral multiples of \$5,000 from any source of available funds provided to the Authority by or at the discretion of the City at a Redemption Price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

Dated: _____, 2013

CITY OF OCEANSIDE

By: _____
City Manager

ATTACHMENT 6

*Stradling Yocca Carlson & Rauth
Draft of 3/1/13*

INSTALLMENT PURCHASE AGREEMENT

by and between

CITY OF OCEANSIDE

and

OCEANSIDE PUBLIC FINANCING AUTHORITY

Dated as of _____ 1, 2013

Relating to

\$ _____

SEWER REVENUE REFUNDING BONDS, SERIES 2013A

Table of Contents

Page

ARTICLE I

DEFINITIONS

Section 1.1. Definitions 2

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the City 9
Section 2.2. Representations and Warranties by the Authority 10

ARTICLE III

ACQUISITION AND REFINANCE OF THE PROJECT

Section 3.1. Changes to the Project 10
Section 3.2. Sale and Purchase of the Project..... 11
Section 3.3. Purchase and Sale of the Project..... 11
Section 3.4. Title 11
Section 3.5. Acquisition and Construction of the 2013 Project..... 11
Section 3.6. Acquisition Fund..... 11

ARTICLE IV

SERIES 2013A INSTALLMENT PAYMENTS

Section 4.1. Purchase Price..... 12
Section 4.2. Series 2013A Installment Payments 12

ARTICLE V

SECURITY

Section 5.1. Pledge of Sewer Revenues..... 13
Section 5.2. Allocation of Sewer Revenues..... 13
Section 5.3. Additional Contracts and Bonds 14
Section 5.4. Investments 15
Section 5.5. Rate Stabilization Fund..... 15

Table of Contents
(continued)

Page

ARTICLE VI

COVENANTS OF THE CITY

Section 6.1.	Compliance with Installment Purchase Agreement and Ancillary Agreements.....	15
Section 6.2.	Against Encumbrances.....	16
Section 6.3.	Against Sale or Other Disposition of Property	16
Section 6.4.	Against Competitive Facilities.....	16
Section 6.5.	Tax Covenants	17
Section 6.6.	Maintenance and Operation of the Sewer System	17
Section 6.7.	Payment of Claims	18
Section 6.8.	Compliance with Contracts.....	18
Section 6.9.	Insurance.....	18
Section 6.10.	Accounting Records; Financial Statements and Other Reports.....	18
Section 6.11.	Protection of Security and Rights of the Authority	19
Section 6.12.	Payment of Taxes and Compliance with Governmental Regulations.....	19
Section 6.13.	Amount of Rates and Charges	19
Section 6.14.	Collection of Rates and Charges.....	19
Section 6.15.	Eminent Domain Proceeds.....	19
Section 6.16.	Further Assurances	20
Section 6.17.	Enforcement of Contracts	20
Section 6.18.	Superior Additional Obligations	20
Section 6.19.	Continuing Disclosure	20

ARTICLE VII

PREPAYMENT OF SERIES 2013A INSTALLMENT PAYMENTS

Section 7.1.	Prepayment	20
Section 7.2.	Method of Prepayment.....	20

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1.	Events of Default and Acceleration of Maturities	21
Section 8.2.	Application of Funds Upon Acceleration	22
Section 8.3.	Other Remedies of the Authority.....	22
Section 8.4.	Non-Waiver	22
Section 8.5.	Remedies Not Exclusive.....	23

Table of Contents
(continued)

Page

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1.	Discharge of Obligations	23
--------------	--------------------------------	----

ARTICLE X

MISCELLANEOUS

Section 10.1.	Liability of City Limited.....	24
Section 10.2.	Benefits of Installment Purchase Agreement Limited to Parties	24
Section 10.3.	Successor Is Deemed Included in all References to Predecessor	24
Section 10.4.	Waiver of Personal Liability.....	24
Section 10.5.	Article and Section Headings, Gender and References	25
Section 10.6.	Partial Invalidity	25
Section 10.7.	Assignment	25
Section 10.8.	Net Contract.....	25
Section 10.9.	California Law	25
Section 10.10.	Notices	25
Section 10.11.	Effective Date	26
Section 10.12.	Execution in Counterparts.....	26
Section 10.13.	Indemnification of Authority	26
Section 10.14.	Amendments Permitted.....	26
Exhibit A-1	Description of 1991 Project	A-1
Exhibit A-2	Description of 1993 Project	A-2
Exhibit A-3	Description of 2000 Project	A-3
Exhibit A-4	Description of 2013 Project	A-4
Exhibit B	Purchase Price.....	B-1
Exhibit C	Form of Substitution Certificate	C-1
Exhibit D	Form of Requisition for Disbursement from Acquisition Fund.....	D-1

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into and dated as of _____ 1, 2013, by and between CITY OF OCEANSIDE, a municipal organization and charter city duly organized and existing under and by virtue of its charter and the laws of the State of California (the "City"), and OCEANSIDE PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority").

W I T N E S S E T H:

WHEREAS, the City proposes to undertake the refinancing of the acquisition of certain improvements, betterments, renovations, and expansions of facilities within its Sewer System, more particularly described in Exhibit A-1 attached hereto (the "1991 Project");

WHEREAS, the City and the Oceanside Building Authority have previously entered into an Installment Sale Agreement, dated as of May 1, 1993 (the "1993 Installment Sale Agreement") in order to assist the City in financing the 1991 Project;

WHEREAS, the Authority previously agreed to assist the City in refinancing the 1991 Project and to prepay the City's obligations to make installment payments pursuant to the 1993 Installment Sale Agreement;

WHEREAS, the City and the Authority previously entered into an Installment Purchase Agreement, dated as of March 1, 2003 (the "2003 Installment Purchase Agreement"), in order to assist the City in refinancing the 1991 Project;

WHEREAS, pursuant to Section 7.01 of the 2003 Installment Purchase Agreement, the City proposes to prepay its obligations to make certain Installment Payments (as defined herein) under the 2003 Installment Purchase Agreement;

WHEREAS, the City proposes to undertake the refinancing of the acquisition of certain improvements, betterments, renovations, and expansions of facilities within its Sewer System, more particularly described in Exhibit A-3 attached hereto (the "2000 Project");

WHEREAS, the City and the Watereuse Finance Authority previously entered into an Installment Purchase Contract, dated as of April 1, 2000 (the "2000 Installment Purchase Contract") in order to assist the City in financing the 2000 Project;

WHEREAS, the Authority previously agreed to assist the City in refinancing the 2000 Project and to prepay the City's obligations to make installment payments pursuant to the 2000 Installment Purchase Contract;

WHEREAS, the City and the Authority previously entered into an Installment Purchase Agreement, dated as of December 1, 2008 (the "2008 Installment Purchase Agreement"), in order to assist the City in refinancing the 2000 Project;

WHEREAS, pursuant to Section 7.01 of the 2008 Installment Purchase Agreement, the City proposes to prepay its obligations to make certain Installment Payments (as defined herein) under the 2008 Installment Purchase Agreement;

WHEREAS, the City entered into a Clean Water State Revolving Fund (CW SRF) Financing Agreement (the "1993 State Loan") with the State Water Resources Control Board for the purpose of financing certain capital improvements to its Sewer System, more particularly described in Exhibit A-2 attached hereto (the "1993 Project");

WHEREAS, the Authority has agreed to assist the City in prepaying all amounts due under the 1993 State Loan;

WHEREAS, the City proposes to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Sewer System described in Exhibit A-4 hereto (the "2013 Project," and together with the 1991 Project, the 1993 Project and the 2000 Project, the "Project");

WHEREAS, the Authority has agreed to assist the City in refinancing the 1991 Project, refinancing the 1993 Project, refinancing the 2000 Project and financing the 2013 Project for the City on the terms and conditions set forth in this Installment Purchase Agreement;

WHEREAS, the City is authorized by Title 4 of the Government Code of the State of California, including, but not limited to Sections 37350 and 40404, to acquire property for its sewer system and to refinance the acquisition of property for its sewer system;

WHEREAS, the City and the Authority have duly authorized the execution of this Installment Purchase Agreement;

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 delivery of this Installment Purchase Agreement 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 this Installment Purchase Agreement.

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

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture of Trust.

Acquisition Fund.

The term “Acquisition Fund” means the fund by that name created pursuant to Section 3.6 hereof.

Authority

The term “Authority” means Oceanside Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California.

Bonds

The term “Bonds” means all revenue bonds or notes of the City authorized, executed, issued and delivered by the City, the payments of which are on a parity with the Series 2013 Installment Payments and which are secured by a pledge of and lien on the Sewer Revenues.

Business Day

The term “Business Day” means a day which is not (a) a Saturday or Sunday or any other day bank institutions located in New York, New York, or the city or cities in which the principal or other designated corporate office of the Trustee is located are required or authorized to close, or (b) a day on which the New York Stock Exchange is closed.

City

The term “City” means the City of Oceanside, a municipal corporation and charter city duly organized and existing under and by virtue of its charter and the laws of the State of California.

Contracts

The term “Contracts” means this Installment Purchase Agreement and any amendments and supplements hereto, and all contracts of the City authorized and executed by the City, the Installment Payments under which are on a parity with the Series 2013 Installment Payments and which are secured by a pledge and lien on the Sewer Revenues.

Date of Operation

The term “Date of Operation” means, with respect to any uncompleted Project, the estimated date by which such Project will have been completed and, in the opinion of an engineer, will be ready for commercial operation by or on behalf of the City.

Debt Service

The term “Debt Service” means, for any Fiscal Year, the sum of:

- (1) the interest accruing during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code (Section 1531 of

Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(2) that portion of the principal amount of all outstanding serial Bonds maturing in such Fiscal Year or maturing in the next succeeding Fiscal Year accruing during such Fiscal Year in each case computed as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts;

(3) that portion of the principal amount of all outstanding term Bonds required to be prepaid or paid in such Fiscal Year or during the next succeeding Fiscal Year in each case computed as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts; and

(4) that portion of the Installment Payments required to be made during such Fiscal Year or during the next succeeding Fiscal Year in each case computed as if such Installment Payments were deemed to accrue daily during such Fiscal Year in equal amounts (except to the extent that the interest portion of such Installment Payments is capitalized);

less the earnings derived from investment of moneys on deposit in any debt service reserve fund and any construction fund created with respect to any Contracts or Bonds to the extent such earnings are deposited in a debt service fund, including the Bond Payment Fund;

provided that, as to any such Bonds or Installment Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be one hundred ten percent (110%) of the greater of (a) the daily average interest rate on such Bonds or Installment Payments during the twelve (12) calendar months preceding the date of calculation (or the portion of the then current Fiscal Year that such Bonds or the principal amount of such Installment Payments have borne interest) or, if such Bonds or Installment Payments were not outstanding during such twelve (12) calendar month period, the daily average interest rate on bonds or installment payments with a similar basis for calculating interest or (b) the most recent effective interest rate on such Bonds or Installment Payments prior to the date of calculation or, if such Bonds or Installment Payments were not then outstanding, the most recent effective interest rate on bonds or installment payments with a similar basis for calculating interest; and

provided further that if any series or issue of such Bonds or Installment Payments have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Bonds or Installment Payments were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Installment Payments or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Installment Payments or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final

maturity of the Bonds and Contracts for which such debt service reserve fund was established and in each preceding year until such amount is exhausted.

Event of Default

The term “Event of Default” means an event described in Section 8.1.

Fiscal Year

The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

Indenture of Trust

The term “Indenture of Trust” means the Indenture of Trust, dated as of _____ 1, 2013, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Independent Certified Public Accountant

The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Financial Consultant

The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the City, and who, or each of whom:

- (1) is in fact independent and not under domination of the City;
- (2) does not have any substantial interest, direct or indirect, with the City; and
- (3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

Installment Payment Date; Series 2013A Installment Payment Date

The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the City under and pursuant to any Contract. The term “Series 2013A Installment Payment Date” means the second Business Day preceding each Interest Payment Date pursuant to the Indenture of Trust.

Installment Payments; Series 2013A Installment Payments

The term “Installment Payments” means the payments scheduled to be paid by the City under and pursuant to the Contracts, including the Series 2013A Installment Payments. The term “Series 2013A Installment Payments” means the Installment Payments scheduled to be paid by the City under and pursuant hereto.

Installment Purchase Agreement

The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of _____ 1, 2013, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Law

The term “Law” means the Government Code of the State of California and all laws amendatory thereof or supplemental thereto.

Manager

The term “Manager” means the City Manager of the City, or any other person designated by the City Manager to act on behalf of the City Manager.

Net Proceeds

The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Sewer Revenues

The term “Net Sewer Revenues” means, for any Fiscal Year, the Sewer Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

1991 Project

The term “1991 Project” means the additions, betterments, extensions and improvements to the Sewer System, including real property and buildings, if any, described in Exhibit A-1 hereto and as modified in conformance with Section 3.1 hereof.

1993 Installment Sale Agreement

The term “1993 Installment Sale Agreement” means the Installment Sale Agreement, dated as of May 1, 1993, by and between the City and the Authority.

1993 Project

The term “1993 Project” means the additions, betterments, extensions and improvements to the Sewer System, including real property and buildings, if any, described in Exhibit A-2 hereto and as modified in conformance with Section 3.1 hereof

Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means costs spent or incurred for maintenance and operation of the Sewer System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Sewer System in good repair and working

order, and including administrative costs of the City that are charged directly or apportioned to the Sewer System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2013A Bonds or of this Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges and any amounts transferred to the Rate Stabilization Fund.

Project

The term "Project" means the 1991 Project, the 1993 Project, the 2000 Project and the 2013 Project.

Purchase Price

The term "Purchase Price" means the principal amount plus interest thereon owed by the City to the Authority under the terms hereof as provided in Section 4.1.

Rate Stabilization Fund

The term "Rate Stabilization Fund" means the fund by that name established pursuant to Section 5.5 hereunder.

Sewer Revenue Fund

The term "Sewer Revenue Fund" means the Sewer System Revenue Fund established herein pursuant to Section 5.2 hereof.

Sewer Revenues

The term "Sewer Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Sewer System, including, without limiting the generality of the foregoing,

- (1) all income, rents, rates, fees, charges or other moneys derived by the City from the collection, treatment and disposal of wastewater or other services or facilities provided in the conduct or operation of the business of the Sewer System,
- (2) the proceeds of any stand-by or wastewater availability charges, development fees and connection charges collected by the City,
- (3) the earnings on and income derived from the investment of amounts described in clauses (1) and (2) above, from amounts in the Rate Stabilization Fund and from Sewer Fund reserves,

but excluding

(x) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City,

(y) any proceeds of taxes or assessments restricted by law to be used by the City to pay bonds or other obligations heretofore or hereafter issued; and

(z) revenues of any sewer system acquired through merger, consolidation or similar action to the extent the exclusion of such acquired Sewer System is required pursuant to the terms of such merger, consolidation or similar action.

"Sewer Revenues" shall also include all amounts transferred from the Rate Stabilization Fund to the Sewer Revenue Fund during any Fiscal Year in accordance with Section 5.5 hereof and shall not include any amounts transferred from the Sewer Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with Section 5.2(d) hereof.

Sewer Service

The term "Sewer Service" means the wastewater collection, treatment and disposal service made available or provided by the Sewer System.

Sewer System

The term "Sewer System" means the whole and each and every part of the sewer system of the City, including all real property and buildings, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such Sewer System or any part thereof hereafter acquired or constructed, and excluding any sewer system acquired through merger, consolidation or similar action, to the extent the exclusion of such acquired sewer system is required pursuant to the term of such merger, consolidation or similar action.

State Loans; 1993 State Loan

The term "State Loans" means 1993 State Loan and any additional loans from the State Water Resources Control Board which are Contracts. The term "1993 State Loan" means Loan No. C-06-4160-110 from the State Water Resources Control Board in the original aggregate principal amount of \$9,861,068 made pursuant to the State Revolving Loan Fund Program Loan Contract No. 3-812-550-0 between the State Water Resources Control Board and the City dated June 8, 1993.

Subordinate Obligations

The term "Subordinate Obligations" means all Contracts or Bonds of the City which are secured by a pledge of and lien on the Sewer Revenues subordinate to the pledge of and lien on Sewer Revenues securing the Contracts or Bonds.

Trustee

The term "Trustee" means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

2000 Installment Purchase Agreement

The term “2000 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of April 1, 2000, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

2000 Project

The term “2000 Project” means the additions, betterments, extensions and improvements to the Sewer System, including real property and buildings, if any, described in Exhibit A-3 hereto and as modified in conformance with Section 3.1 hereof.

2008 Installment Purchase Agreement

The term “2008 Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of December 1, 2008, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

2013 Project

The term “2013 Project” means the additions, betterments, extensions and improvements to the Sewer System, including real property and buildings, if any, described in Exhibit A-4 hereto and as modified in conformance with Section 3.1 hereof.

2003 Installment Purchase Agreement

The term “2003 Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of March 1, 2003, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

2013A Bonds

The term “2013A Bonds” means the Oceanside Public Financing Authority Sewer Revenue Refunding Bonds, Series 2013A in the aggregate principal amount of \$ _____.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the City. The City makes the following representations:

- (a) The City is a charter city duly organized and existing under and pursuant to its charter and the laws of the State of California.
- (b) The City has full legal right, power and authority to enter into this Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Installment Purchase Agreement, and the City has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the City has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The City will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

(e) The City has determined that it is necessary and proper for City uses and purposes within the terms of the Law that the City acquire the 2013 Project and refinance the 1991 Project, the 1993 Project and the 2000 Project in the manner provided for in this Installment Purchase Agreement.

Section 2.2. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers authority duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

(b) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(c) The Authority will not take or permit any action to be taken which results in interest paid for the installment purchase of the Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

ARTICLE III

ACQUISITION AND REFINANCE OF THE PROJECT

Section 3.1. Changes to the Project.

(a) The City may substitute other improvements for those listed as components of the 1991 Project in Exhibit A-1, the 1993 Project in Exhibit A-2, the 2000 Project in Exhibit A-3 or the 2013 Project in Exhibit A-4 hereto, but only if the City first files with the Authority and the Trustee a statement of the City in the form attached as Exhibit C;

(b) identifying the improvements to be substituted and the improvements to City facilities they replace in the 1991 Project, 1993 Project, 2000 Project or 2013 Project; and

(c) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Section 3.2. Sale and Purchase of the Project. In consideration for the Authority's assistance in refinancing the 1991 Project, the 1993 Project and the 2000 Project, the City agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase and hereby purchases, from the City, the Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.3. Purchase and Sale of the Project. In consideration for the Installment Payments as set forth in Section 4.2, the Authority agrees to sell, and hereby sells, to the City, and the City agrees to purchase, and hereby purchases, from the Authority, the Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.4. Title. All right, title and interest in the Project shall vest in the City immediately upon execution and delivery of this Installment Purchase Agreement.

Section 3.5. Acquisition and Construction of the 2013 Project. The Authority hereby agrees to cause the 2013 Project to be constructed, acquired and installed by the District as its agent. The District shall enter into contracts and provide for, as agent for the Authority, the complete construction, acquisition and installation of the 2013 Project. The District hereby agrees that it will cause the construction, acquisition and installation of the 2013 Project to be diligently performed after the deposit of funds into the Acquisition Fund, and that it will use its best efforts to cause the construction, acquisition and installation of the 2013 Project to be completed. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2013 Project and that all such costs and expenses shall be paid by the District.

Section 3.6. Acquisition Fund. There is hereby established with the District a special fund designated the "Acquisition Fund." The District shall deposit proceeds of the 2013A Bonds in the Acquisition Fund. The moneys in the Acquisition Fund shall be held by the District in trust and moneys therein shall be applied to the payment of the costs of acquisition and construction of the 2013 Project and of expenses incidental thereto. Before any payment is made from the Acquisition Fund by the Director of Finance of the City, the City Manager shall cause to be filed with the Director of Finance of the City a written Requisition for Disbursement in the form set forth in Exhibit D hereto.

Upon receipt of each such Requisition for Disbursement, the Director of Finance of the City will pay the amount set forth in such Requisition for Disbursement as directed by the terms thereof. The Director of Finance of the City need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the 2013 Project shall have been constructed and acquired in accordance with this Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition

Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Director of Finance of the City and the Trustee by the City. Upon the receipt of such statement, the Director of Finance of the City shall transfer any remaining balance in the Acquisition Fund not needed for Acquisition Fund purposes (but less the amount of any such retention which amount shall be certified to the Director of Finance of the City by the City) to the Sewer Revenue Fund.

ARTICLE IV

SERIES 2013A INSTALLMENT PAYMENTS

Section 4.1. Purchase Price.

(a) The Purchase Price to be paid by the City hereunder to the Authority is the sum of the principal amount of the City's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the payments to be made by the City hereunder is set forth in Exhibit B hereto.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit B hereto, and shall be paid by the City as and constitute interest paid on the principal amount of the City's obligations hereunder.

Section 4.2. Series 2013A Installment Payments. The City shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2013A Installment Payment Dates as set forth in Exhibit B hereto.

Each Series 2013A Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the City fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the City until such amount shall have been fully paid and the City agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2013A Installment Payments if paid in accordance with their terms.

The obligation of the City to make the Series 2013A Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the City will not discontinue or suspend any Series 2013A Installment Payments required to be made by it under this section when due, whether or not the Sewer System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.1. Pledge of Sewer Revenues. All Sewer Revenues and all amounts on deposit in the Sewer Revenue Fund and the Rate Stabilization Fund are hereby irrevocably pledged to the payment of the Series 2013A Installment Payments as provided herein, and the Sewer Revenues shall not be used for any other purpose while any of the Series 2013A Installment Payments remain unpaid; provided that out of the Sewer Revenues and amounts on deposit in the Sewer Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on Sewer Revenues and the Sewer Revenue Fund and all amounts on deposit therein as permitted herein and subject to the application of Sewer Revenues in accordance with the terms hereof.

Section 5.2. Allocation of Sewer Revenues. In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Sewer Revenues shall be received by the City in trust hereunder and shall be deposited when and as received in the "Sewer Revenue Fund" which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Moneys in the Sewer Revenue Fund shall be used and applied by the City as provided in this Installment Purchase Agreement.

The City shall, from the moneys in the Sewer Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Sewer Revenue Fund shall be set aside by the City at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section:

(a) Bond Payment Fund. On or before each Series 2013A Installment Payment Date, the City shall, from the moneys in the Sewer Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund a sum equal to the Series 2013A Installment Payment coming due on such Series 2013A Installment Payment Date. The City shall also, from the moneys in the Sewer Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service or payments in accordance with the provisions of the Contract, resolution or indenture relating thereto.

No deposit need be made in the Bond Payment Fund as Series 2013A Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2013A Installment Payment due and payable on the next succeeding Series 2013A Installment Payment Date.

All money in the Bond Payment Fund shall be used and withdrawn by the Trustee in accordance with the Indenture of Trust.

(b) Reserve Fund. On or before each payment date required pursuant to the provisions of any Contract or Bond, or any resolution or indenture related thereto, the City shall,

from the remaining moneys in the Sewer Revenue Fund, thereafter, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to any reserve fund or account for Bonds or Contracts an amount equal to the amount required to be deposited therein.

(c) Subordinate Obligations. On or before the payment of principal or interest is due with respect to any Subordinate Obligations, the City shall from moneys in the Sewer Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Subordinate Obligations, in accordance with the provisions of such Subordinate Obligation.

(d) Surplus. On the last day of each month, moneys on deposit in the Sewer Revenue Fund not required to make any of the payments required above may be expended by the City at any time for any purpose permitted by law, including but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with Section 5.5.

Section 5.3. Additional Contracts and Bonds. The City may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(1) The Net Sewer Revenues (exclusive of any amounts transferred from the Rate Stabilization Fund) for the most recent audited Fiscal Year or any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the City Council of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred twenty-five per cent (125%) of the Debt Service for such Fiscal Year or twelve month period, as applicable; and

(2) The Net Sewer Revenues (exclusive of any amounts transferred from the Rate Stabilization Fund) for the most recent audited Fiscal Year or any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of the execution of such Contract or the date of adoption by the City Council of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or twelve month period to increases or decreases in rates and charges for the Sewer Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred twenty-five per cent (125%) of the Debt Service for such Fiscal Year or twelve month period, as applicable, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or twelve month period assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or twelve month period plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year or twelve month period.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts. Furthermore, notwithstanding the foregoing, the City may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Sewer Revenues or money in the Sewer Revenue Fund as may from time to time be deposited therein subordinate to the Series 2013A Installment Payments.

Section 5.4. Investments. All moneys held by the City in the Sewer Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein. All investment earnings on amounts in the Rate Stabilization Fund shall be transferred to the Sewer Revenue Fund upon receipt thereof.

Section 5.5. Rate Stabilization Fund. There is hereby established a special fund designated as the "Rate Stabilization Fund" to be held by the District in trust hereunder, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Series 2013 Installment Payments remain unpaid. On the date of execution of this agreement, the District will deposit \$0.00 into the Rate Stabilization Fund. Money transferred by the District from the Sewer Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.2(d) shall be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Sewer Revenue Fund for application in accordance with Section 5.1 hereof or, in the event that all or a portion of the Series 2013 Installment Payments are discharged in accordance with Article IX hereof, transfer all or any portion of such amounts for application in accordance with said Article.

ARTICLE VI

COVENANTS OF THE CITY

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements. The City will punctually pay the Series 2013A Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The City will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture of Trust required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this Installment Purchase Agreement and the Indenture of Trust that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the Project by the City pursuant to, and in accordance with, and as authorized under the Law.

The City will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 6.2. Against Encumbrances. The City will not make any pledge of or place any lien on Sewer Revenues or the moneys in the Sewer Revenue Fund or the Rate Stabilization Fund except as provided herein. The City may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Sewer Revenues or any moneys in the Sewer Revenue Fund and the Rate Stabilization Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.3. Against Sale or Other Disposition of Property. The City will not enter into any agreement or lease which impairs the operation of the Sewer System or any part thereof necessary to secure adequate Sewer Revenues for the payment of the Series 2013A Installment Payments, or which would otherwise impair the rights of the Authority hereunder or the operation of the Sewer System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Sewer System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the City to pay the Series 2013A Installment Payments and if the proceeds of such sale are deposited in the Sewer Revenue Fund.

Nothing herein shall restrict the ability of the City to sell any portion of the Sewer System if such portion is immediately repurchased by the City and if such arrangement cannot by its terms result in the purchaser of such portion of the Sewer System exercising any remedy which would deprive the City of or otherwise interfere with its right to own and operate such portion of the Sewer System.

Section 6.4. Against Competitive Facilities. The City will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the City any sewer system competitive with the Sewer System.

Section 6.5. Tax Covenants. Notwithstanding any other provision of this Installment Purchase Agreement, absent an opinion of Special Counsel that the exclusion from gross income of interest on the 2013A Bonds will not be adversely affected for federal income tax purposes, the City and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income on the 2013A Bonds and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The City and the Authority will not take or omit to take any action or make any use of the proceeds of the 2013A Bonds or of any other moneys or property which would cause the 2013A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The City and the Authority will make no use of the proceeds of the 2013A Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the 2013A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The City and the Authority will make no use of the proceeds of the 2013A Bonds or take or omit to take any action that would cause the 2013A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The City and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2013A Bonds pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The City and the Authority will make no use of the proceeds of the 2013A Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2013A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the City and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2013A Bonds for federal income tax purposes.

(f) Miscellaneous. The City and the Authority will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed for the 2013A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the City from issuing 2013A Bonds or executing and delivering Contracts, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Section 6.6. Maintenance and Operation of the Sewer System. The City will maintain and preserve the Sewer System in good repair and working order at all times and will operate the Sewer System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.7. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Sewer Revenues or the funds or accounts created hereunder or under the Indenture of Trust or on any funds in the hands of the City pledged to pay the Series 2013A Installment Payments or to the Owners prior or superior to the lien of the Series 2013A Installment Payments or which might impair the security of the Series 2013A Installment Payments.

Section 6.8. Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Sewer System and all other contracts affecting or involving the Sewer System, to the extent that the City is a party thereto.

Section 6.9. Insurance.

(a) The City will procure and maintain or cause to be procured and maintained insurance on the Sewer System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Sewer System) as are usually covered in connection with facilities similar to the Sewer System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Sewer System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Sewer System. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Sewer System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied by the City in any manner permitted by law.

(b) The City will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal retail water systems similar to the Sewer System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the City determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal retail water systems similar to the Sewer System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained herein shall provide that the Trustee and the Authority shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Section 6.10. Accounting Records; Financial Statements and Other Reports. The City will keep appropriate accounting records in which complete and correct entries shall be made of all

transactions relating to the Sewer System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions. The Trustee shall have no duties to inspect such records.

Section 6.11. Protection of Security and Rights of the Authority. The City will preserve and protect the security hereof and the rights of the Authority to the Series 2013A Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Sewer System, or any part thereof or upon the Sewer Revenues when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Sewer System, or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.13. Amount of Rates and Charges. To the fullest extent permitted by law, the City shall fix, prescribe, revise and collect rates, fees and charges for the Sewer Service which will be at least sufficient to yield during each Fiscal Year Net Sewer Revenues equal to one hundred twenty-five per cent (125%) of the Debt Service for such Fiscal Year; provided, however, that for purposes of this Section 6.13, Sewer Revenues in such Fiscal Year shall not include any amount reasonably expected to be transferred from the Rate Stabilization Fund to the Sewer Revenue Fund in excess of twenty-five percent (25%) of Debt Service for such Fiscal Year. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Sewer Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

Section 6.14. Collection of Rates and Charges. The City will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Sewer Service to such land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City may discontinue such service from the Sewer System, and such service shall not thereafter be recommenced except in accordance with the City laws or rules and regulations governing such situations of delinquency.

Section 6.15. Eminent Domain Proceeds. If all or any part of the Sewer System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows: if (1) the City files with the Authority and the Trustee a certificate showing: (i) the estimated loss of annual Net Sewer Revenues, if any, suffered or to be suffered by the City by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Sewer System proposed to be acquired and constructed by the City from such Net Proceeds; and (iii) an estimate of the additional annual Net Sewer Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the City, on the basis of such certificate filed with the Authority and the Trustee, determines that the estimated additional annual Net Sewer Revenues will sufficiently offset the estimated loss of annual Net Sewer Revenues resulting from such eminent domain proceedings so that the ability of the City to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the City shall

promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the City for such purpose shall be deposited in the Sewer Revenue Fund.

Section 6.16. Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

Section 6.17. Enforcement of Contracts. So long as any of the 2013A Bonds are outstanding, the City will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into which contracts provide for water to be supplied to the City which will reduce the supply of water thereunder (except as provided therein) if such rescission or amendment would in any manner impair or adversely affect the rights of the owners from time to time of the 2013A Bonds.

Section 6.18. Superior Additional Obligations. The City shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of and lien on Sewer Revenues and any money in the Sewer Revenue Fund superior to the pledge securing the Series 2013A Installment Payments.

Section 6.19. Continuing Disclosure. The City will comply with and carry out all of its obligations under the continuing disclosure agreement to be executed and delivered by the City in connection with the issuance of the 2013A Bonds. Notwithstanding any other provision of this Installment Purchase Agreement, failure of the City to comply with the continuing disclosure agreement shall not be considered an Event of Default

ARTICLE VII

PREPAYMENT OF SERIES 2013A INSTALLMENT PAYMENTS

Section 7.1. Prepayment.

The City may prepay the Series 2013A Installment Payments, as a whole or in part, in the order of payment date as directed by the City, on the date and at the prepayment price (expressed as a percentage of the principal amount of the 2013A Bonds to be prepaid) plus accrued interest thereon to the date of prepayment, as set forth in Section 4.01(a) of the Indenture of Trust.

Notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority and the Trustee) and the requirements of Article IX hereof shall have been satisfied.

Section 7.2. Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the City shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay or a determination to prepay, give written notice

to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made by the City in the due and punctual payment of any Series 2013A Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(2) if default shall be made by the City in the performance of any of the agreements or covenants required herein or in connection with any Contract or Bond to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority;

(3) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(4) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case upon the occurrence of such Event of Default specified in clauses (3) and (4) above, without any notice to the City or any other act by any Person, the entire principal amount of the unpaid Series 2013A Installment Payments and the accrued interest thereon shall be immediately due and payable and for any other Event of Default the Authority may, by notice in writing to the City declare the entire principal amount of the unpaid Series 2013A Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2013A Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Series 2013A Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2013A Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other

than in the payment of the entire principal amount of the unpaid Series 2013A Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority, if appropriate, or provision deemed by the Authority, if appropriate, to be adequate shall have been made therefor, then and in every such case the Authority, if appropriate by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Sewer Revenues thereafter received by the City shall be applied in the following order --

First, to the payment, without preference or priority, and in the event of any insufficiency ratably without any discrimination or preference, of the fees, costs and expenses of the Authority and Trustee, if any, in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs;

Third, to the payment of the entire principal amount of the unpaid Series 2013A Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2013A Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

Fourth, to the payment of Subordinate Obligations in accordance with the terms thereof.

Section 8.3. Other Remedies of the Authority. The Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the 2013A Project, the Sewer System or other assets of the City and no default hereunder shall result in the loss of the 2013A Project, the Sewer System, or other assets of the City.

Section 8.4. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Series 2013A Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Sewer Revenues, the Sewer Revenue Fund and the other funds herein pledged for such

payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Obligations. When

(a) all or any portion of the Series 2013A Installment Payments shall have become due and payable in accordance herewith or a written notice of the City to prepay all or any portion of the Series 2013A Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2013A Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2013A Installment Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clauses (a) or (b) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Series 2013A Installment Payments to their respective Series 2013A Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee, then and in that event, the right, title and interest of the Authority herein and the obligations of the City hereunder shall, with respect to all or such portion of the Series 2013A Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the City to have

such moneys and such Permitted Investments applied to the payment of such Series 2013A Installment Payments).

In such event, upon request of the City the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the City, after payment of all amounts due the Trustee pursuant to the Indenture of Trust as an overpayment of Series 2013A Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments, as are required for the payment or prepayment of the Series 2013A Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2013A Installment Payments and shall be applied by the Trustee to the payment of the Series 2013A Installment Payments of the City.

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of City Limited. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Net Sewer Revenues and the other funds provided herein and in the Indenture for the payment of the Series 2013A Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Series 2013A Installment Payments is a special obligation of the City payable solely from such Net Sewer Revenues and other funds described herein, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 10.2. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the City or the Authority and its assigns any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the City or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.3. Successor Is Deemed Included in all References to Predecessor. Whenever either the City or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the City or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.4. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Series 2013A Installment Payments,

but nothing contained herein shall relieve any director, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.5. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The City and the Authority hereby declare that they would have executed the Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.7. Assignment. This Installment Purchase Agreement and all right, title and interest of the Authority hereunder, including its right to receive the Series 2013A Installment Payments, shall be assigned by the Authority to the Trustee, pursuant to the Indenture of Trust with the express consent of the City.

Section 10.8. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.9. California Law. THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City:	City of Oceanside 300 North Coast Highway Oceanside, California 92054 Attention: City Manager
-----------------	--

If to the Authority: Oceanside Public Financing Authority
300 North Coast Highway
Oceanside, California 92054
Attention: Executive Director

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust Department

Section 10.11. Effective Date. The Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Authority and the Trustee.

Section 10.12. Execution in Counterparts. The Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.13. Indemnification of Authority. The City hereby agrees to indemnify and hold harmless the Authority and its directors, officers and employees if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder and under the Indenture of Trust; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Indenture of Trust by the Authority.

Section 10.14. Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Authority and the City and of the Owners of the 2013A Bonds and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the 2013A Bonds then Outstanding, exclusive of 2013A Bonds disqualified as provided in Section 9.02 of the Indenture, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the stated maturities of the 2013A Bonds, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the owner of each 2013A Bond so affected; or (2) reduce the aforesaid percentage of Owners of 2013A Bonds whose consent is required for the execution of any amendment or modification of this Installment Purchase Agreement; or (3) modify any of the rights or obligations of the Trustee or the Authority without its written consent thereto.

(b) This Installment Purchase Agreement and the rights and obligations of the Authority and the City and of the Owners of the 2013A Bonds may also be modified or amended but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority or the City contained in this Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Authority or the City, and which shall not adversely affect the interests of the Owners of the 2013A Bonds;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Installment Purchase Agreement or in regard to questions arising under this Installment Purchase Agreement, as the Authority or the City may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the 2013A Bonds;

(3) to make such other amendments or modifications as may be in the best interests of the Owners of the 2013A Bonds; and

(4) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the 2013A Bonds from gross income for federal income tax purposes under the Code or the exemption of such interest from State personal income taxes.

No amendment may modify any of the rights or obligations of the Trustee without the written consent of the Trustee thereto.

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

CITY OF OCEANSIDE

By: _____
City Manager

(SEAL)

Attest:

City Clerk

OCEANSIDE PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

Attest:

Secretary

EXHIBIT A-1

DESCRIPTION OF 1991 PROJECT

The 1991 Project comprises the following described improvements to the City's Sewer System.:

Construction of a new odor control at the La Salina Wastewater Treatment Plant, including headworks structure, load equalization tank, retrofitting and upgrading of the existing digesters, sludge holding tanks and primary clarifiers. Also included is construction of other associated work, including other structures, piping, valves, mechanical equipment, electrical equipment, instrumentation and landscaping.

EXHIBIT A-2

DESCRIPTION OF 1993 PROJECT

The 1993 Project comprises the following described improvements to the City's Sewer System:

Upgrades to the San Luis Rey Wastewater Treatment Plant to control odors and improve process performance, including headworks modifications, grit handling facilities and structural repairs to existing digester.

EXHIBIT A-3

DESCRIPTION OF 2000 PROJECT

The 2000 Project comprises the following described improvements to the City's Sewer System:

Expansion of the San Luis Rey Wastewater Treatment Plant to increase design treatment capacity from 10.7 MGD to 17.4 MGD; including, but not limited to, the construction and improvements to treatment process, including preliminary treatment works, primary and secondary treatment facilities, effluent disposal facilities, solids handling facilities, construction of new administration and maintenance building and a remodeled operations building and site improvements and upgrades to electrical and instrumentation systems, including a standby generator.

EXHIBIT A-4

DESCRIPTION OF 2013 PROJECT

The 2013 Project comprises the following described improvements to the City's Sewer System:

Certain improvements to the City's existing Sewer System, including the replacement of its Supervisory Control and Data Acquisition System for both treatment plants and all lift stations.

EXHIBIT B

PURCHASE PRICE

1. The principal amount of payments to be made by the City hereunder is \$_____.
2. The installment payments of principal and interest are payable in the amounts and on the Series 2013A Installment Payment Dates as follows:

<u><i>Series 2013A Installment Payment Date</i></u>	<u><i>Amount Attributable to Principal</i></u>	<u><i>Amount Attributable to Interest</i></u>	<u><i>Total</i></u>
<i>Second Business Day Prior To:</i>			

TOTAL

EXHIBIT C

FORM OF SUBSTITUTION CERTIFICATE

Oceanside Public Financing Authority
300 North Coast Highway
Oceanside, California 92054
Attention: Executive Director

[Trustee]

The undersigned City Manager and City Clerk of the City of Oceanside (the "City") hereby state pursuant to Section 3.01 of the Installment Purchase Agreement, dated as of _____ 1, 2013, by and between Oceanside Public Financing Authority and the City (the "Installment Purchase Agreement") that each component of the 1991 Project, the 1993 Project, the 2000 Project or the 2013 Project (as defined in the Installment Purchase Agreement) described in the Exhibit 1 attached hereto, with an estimated cost set forth in Exhibit 1, will be replaced by the corresponding improvement described in the Exhibit 1 with an estimated cost set forth in Exhibit 1.

Dated: _____, _____

City Manager

City Clerk

EXHIBIT 1

EXHIBIT D

FORM OF REQUISITION FOR DISBURSEMENT FROM ACQUISITION FUND

§ _____
OCEANSIDE PUBLIC FINANCING AUTHORITY
SEWER REVENUE REFUNDING BONDS, SERIES 2013A

REQUISITION NO. _ FOR
DISBURSEMENT FROM ACQUISITION FUND

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting City Manager of the City of Oceanside, a municipal organization and charter city duly organized and existing under and by virtue of its charter and the laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.6 of that certain Installment Purchase Agreement, dated as of _____ 1, 2013, by and between the City and the Oceanside Public Financing Authority, the undersigned hereby requests the Director of Finance of the City to disburse this date the following amounts from the Acquisition Fund established under the Indenture, to the payees designated on the attached Exhibit 1;

(iii) that each obligation mentioned herein has been incurred by the City and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit 1 has been received and is final; and

(v) that there has not been filed with or served upon the City notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit 1, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: _____

CITY OF OCEANSIDE

By: _____
Its: City Manager

EXHIBIT 1

ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount from Acquisition Fund</i>	<i>Total</i>
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ATTACHMENT 7

*Stradling Yocca Carlson & Rauth
Draft of 2/13/13*

ASSIGNMENT AGREEMENT

by and between

OCEANSIDE PUBLIC FINANCING AUTHORITY

and

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

Dated as of _____ 1, 2013

Relating To

\$ _____
SEWER REVENUE BONDS, SERIES 2013A

ASSIGNMENT AGREEMENT

This Assignment Agreement is made and entered into as of _____ 1, 2013 by and between the OCEANSIDE PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Authority") and THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee");

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

Section 1. Assignment.

The Authority, for good and valuable consideration in hand received, does hereby sell, assign and transfer to the Trustee without recourse, for the benefit of the owners of the bonds (the "Bonds"), to be issued by the Authority pursuant to the Indenture of Trust dated as of _____ 1, 2013, by and between the Authority and the Trustee (the "Indenture"), all of its rights, title and interest in the Installment Purchase Agreement dated as of _____ 1, 2013, by and between the City of Oceanside (the "City") and the Authority (the "Installment Purchase Agreement") including the right to receive all installment payments from the City under the Installment Purchase Agreement (but not including the right to be indemnified pursuant to, or receive notices under, the Installment Purchase Agreement), together with any and all of the other rights of the Authority under the Installment Purchase Agreement as may be necessary to enforce payment of such installment payments when due or otherwise to protect the interests of the owners of the Bonds. The assignment herein is absolute and presently effective.

Section 2. Acceptance.

The Trustee hereby accepts the foregoing assignment for the purpose of securing the right assigned to it to receive all such installment payments from the City under the Installment Purchase Agreement and the other rights assigned to it, subject to the terms and provisions of the Indenture, and all such installment payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Indenture.

Section 3. Conditions.

This Assignment Agreement shall confer no rights or impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

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

OCEANSIDE PUBLIC FINANCING AUTHORITY

By: _____
Its: Chair

ATTEST:

Secretary

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

By: _____
Its: Authorized Officer

ATTACHMENT 8

Jones Hall, A Professional Law Corporation

3-3-13
3-13-13
3-20-13

\$ _____
**OCEANSIDE PUBLIC FINANCING AUTHORITY
SEWER REVENUE REFUNDING BONDS, SERIES 2013A**

PURCHASE CONTRACT

_____, 2013

Oceanside Public Financing Authority
300 North Coast Hwy.
Oceanside, CA 92054

City of Oceanside
300 North Coast Hwy.
Oceanside, CA 92054

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), offers to enter into this Purchase Contract (this "**Purchase Contract**") with the Oceanside Public Financing Authority (the "**Authority**") and the City of Oceanside (the "**City**"), which will be binding upon the Authority, the City and the Underwriter upon the acceptance hereof by the Authority and the City. This offer is made subject to its acceptance by the Authority and the City by execution of this Purchase Contract and its delivery to the Underwriter on or before 5:00 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Indenture and the Installment Purchase Agreement (as those terms are hereafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$ _____ aggregate principal amount of the above-captioned bonds (the "**Bonds**"), at a purchase price equal to \$ _____, being the aggregate principal amount thereof less an underwriter's discount of \$ _____ and less an original issue discount of \$ _____.

2. Description of Bonds; Purpose of the Bonds; Security for the Bonds; Security for the Installment Payments.

(a) Description of the Bonds. The Bonds shall be issued pursuant to an Indenture of Trust, dated as of ____ 1, 2013 (the "**Indenture**") by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), and pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "**Bond Law**"). The Bonds shall be as described in the Indenture and the Official Statement (described below).

(b) Purpose of the Bonds. In order to finance and refinance certain public capital improvements to the City's sewer system (the "**Sewer System**"), the City previously:

(i) entered into an Installment Purchase Agreement (the "**2003 Installment Purchase Agreement**") and caused execution and delivery of the City of Oceanside Revenue Certificates of Participation (1993 Wastewater System Refunding Project), Series 2003 (the "**2003 Certificates**"),

(ii) entered into an Installment Purchase Agreement (the "**2008 Installment Purchase Agreement**") and caused execution and delivery of the City of Oceanside Revenue Refunding Certificates of Participation, Series 2008 (the "**2008 Certificates**"), and

(iii) entered into that certain Loan No. C-06-4160-110 with the State Water Resources Control Board, dated June 8, 1993 (the "**1993 State Loan**").

The purpose of issuing the Bonds is to provide a source of funds to refinance the City's obligations under the 2003 Installment Purchase Agreement, the 2008 Installment Purchase Agreement and the 1993 State Loan and to prepay the 2003 Certificates and the 2008 Certificates .

In addition, a portion of the proceeds of the Bonds will be used to finance Sewer System improvements.

In connection with the refinancing of the 2003 Installment Purchase Agreement and the 2003 Certificates, the City will cause a portion of the proceeds of the Bonds and other available moneys to be deposited into an escrow fund held by The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "**Escrow Agent**"), pursuant to an Escrow Agreement (2003), dated as of ____ 1, 2013 (the "**2003 Escrow Agreement**").

In connection with the refinancing of the 2008 Installment Purchase Agreement and the 2008 Certificates, the City will cause a portion of the proceeds of the Bonds and other available moneys to be deposited into an escrow fund held by the Escrow Agent, pursuant to an Escrow Agreement (2008), dated as of ____ 1, 2013 (the "**2008 Escrow Agreement**").

(c) Security for the Bonds. The Bonds are payable from "**Revenues**" consisting primarily of installment payments (the "**Installment Payments**") payable by the City to the Authority under an Installment Purchase Agreement dated as of ____ 1, 2013 (the "**Installment Purchase Agreement**"), and amounts on deposit in certain funds and accounts established by the Indenture.

The Authority will assign the Installment Payments to the Trustee pursuant to an Assignment Agreement, dated as of ____ 1, 2013 (the "**Assignment Agreement**"), by and between the Authority and the Trustee.

(d) Security for the Installment Payments. The obligation of the City to make Installment Payments under the Installment Purchase Agreement is a special obligation of the City secured by a pledge of "**Sewer Revenues**" and payable solely from Net Revenues.

The City's Installment Payment obligation is secured by Sewer Revenues on a parity with the City's obligations under a State Fund Local Match Loan Program Contract No. 00-829-

550-0 between the State Water Resources Control Board and the City, dated November 30, 2000 (the "**2000 Loan Contract**"), pursuant to which the City is obligated to repay a Local Match Loan No. L-06-4161-110 (the "**2000 State Loan**").

3. Public Offering. The Underwriter agrees to make a bona fide public offering of all the Bonds initially at the public offering prices (or yields) set forth on Appendix A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Appendix A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

The Bonds will be subject to redemption as set forth on Appendix A.

4. Preliminary Official Statement; Delivery of Official Statement; Continuing Disclosure Agreement.

(a) Preliminary Official Statement. The City has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Contract, copies of the Preliminary Official Statement relating to the Bonds (the "**Preliminary Official Statement**"). Such Preliminary Official Statement is the official statement deemed final by the City for purposes of the Rule and approved for distribution by resolution of the governing board of the Authority and the City. The City executed and delivered to the Underwriter a certification to such effect in the form attached hereto as Appendix B.

(b) Delivery of Official Statement. Within seven (7) business days from the date hereof, the City shall deliver to the Underwriter a final Official Statement, executed on behalf of the City by authorized representatives of such entities and dated the date of delivery thereof to the Underwriter, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the Authority, the City and the Underwriter (the "**Final Official Statement**") and such additional conformed copies thereof as the Underwriter may reasonably request in sufficient quantities to comply with the Rule and to meet potential customer requests for copies of the Official Statement. The Preliminary Official Statement and the Final Official Statement, including the cover pages, the appendices thereto and all information incorporated therein by reference are hereinafter referred collectively to as the "**Official Statement.**"

The Underwriter agrees to comply with the Rule and applicable rules of the Municipal Securities Rulemaking Board with respect to the Preliminary Official Statement and the Official Statement.

(c) Continuing Disclosure Agreement. In order to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "**Rule**"), the City will execute and deliver a Continuing Disclosure Agreement, dated as of _____ 1, 2013 (the "**Continuing Disclosure Agreement**"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as dissemination agent.

5. The Closing. At 8:00 a.m., California time, on _____, 2013, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Authority, the City and the Underwriter (the "**Closing Date**"), the Authority will deliver (i) the Bonds in definitive form to the Underwriter in such city as the Underwriter shall request, and

(ii) the closing documents hereinafter mentioned at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, or another place to be mutually agreed upon by the Authority, the City and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof in immediately available funds to the order of the Trustee on behalf of the Authority. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “**Closing**.” The Bonds will be delivered in such denominations and deposited in the account or accounts specified by the Underwriter pursuant to written notice given by the Underwriter not later than five business days prior to Closing. The Bonds will be made available to the Underwriter for inspection and packaging not less than 48 hours prior to the Closing.

6. Authority Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the Underwriter that:

(a) Due Organization, Existence and Authority. The Authority is a joint powers authority, duly organized and existing under the laws of the State of California (the “**State**”), including the Joint Exercise of Powers Act (Government Code Section 6500 et seq.) (the “**Act**”), with full right, power and authority to issue the Bonds and to execute, deliver and perform its obligations under the Bonds, this Purchase Contract, the Installment Purchase Agreement, the Assignment Agreement and the Indenture (collectively, this Purchase Contract, the Installment Purchase Agreement, the Assignment Agreement and the Indenture are referred to herein as the “**Authority Documents**”) and to carry out and consummate the transactions contemplated by the Authority Documents and described in the Official Statement.

(b) Due Authorization and Approval. By all necessary official action, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations contained in, the Bonds, the Preliminary Official Statement, the Official Statement, and the Authority Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Bonds and the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally. The Authority has complied, and will at the Closing be in compliance in all respects, with the terms of the Bonds and the Authority Documents.

(c) Official Statement Accurate and Complete. The information in the section of the Preliminary Official Statement entitled “THE AUTHORITY” was as of its date, and the information in the section of the Official Statement entitled “THE AUTHORITY” is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the the section of the Preliminary Official Statement entitled “THE AUTHORITY” contained, and the the section of the Official Statement entitled “THE AUTHORITY” contains and up to and including the Closing will contain no misstatement of any material fact and does not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(d) Underwriter’s Consent to Amendments and Supplements to Official Statement. Until the date which is twenty-five (25) days after the “end of the underwriting period” (as defined below), if any event shall occur of which the Authority is aware, as a result of which it

may be necessary to supplement the section of the Official Statement entitled "THE AUTHORITY" in order to make the statements in the Official Statement, in light of the circumstances existing at such time, not misleading, the Authority shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the section of the Official Statement entitled "THE AUTHORITY" necessary, in the Underwriter's opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the Authority shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "**end of the underwriting period**" means the later of such time as (i) the Authority delivers the Bonds to the Underwriter, or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Authority at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the "end of the underwriting period".

(e) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Authority is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach or default would materially adversely affect the security of the Bonds or the Authority's performance under the Authority Documents; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Authority Documents and the Bonds and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance agreement or other instrument to which the Authority (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound; nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Bonds and the Authority Documents.

(f) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending and served or, to the best of the Authority's knowledge, threatened (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, the Authority Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority or its authority to issue the Bonds; (iii) which may result in any material adverse change relating to the Authority; or (iv) contesting the completeness or

accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(g) Representation to Underwriter. Any certificate signed by any official of the Authority and delivered to the Underwriter shall be deemed to be a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(h) Relationship to Underwriter. The Authority acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the Authority and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as a Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (iv) the Authority has consulted its own legal, financial and other advisors to the extent it has deemed appropriate; and (v) the Underwriter has financial and other interests that differ from those of the Authority.

(i) Cooperation with Blue Sky. The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the Authority shall not be required to register as a dealer or broker or foreign corporation in any such state or jurisdiction or consent to service of process therein.

7. City Representations, Warranties and Covenants. The City represents, warrants and covenants to the Underwriter that:

(a) Due Organization, Existence and Authority. The City is a chartered city, duly organized and existing under the Constitution and the laws of the State, with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Continuing Disclosure Agreement, the 2003 Escrow Agreement, the 2008 Escrow Agreement and the Installment Purchase Agreement (collectively, the "**City Documents**") and to carry out and consummate the transactions contemplated by the City Documents and described in the Official Statement.

(b) Due Authorization and Approval. By all necessary official action of the City, the City has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations contained in, the Preliminary Official Statement, the Official Statement and the City Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by

bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. The City has complied, and will at the Closing be in compliance in all respects, with the terms of the City Documents.

(c) Official Statement Accurate and Complete. The Preliminary Official Statement (excluding information about The Depository Trust Company and its book-entry only system and the information in the section entitled "THE AUTHORITY," as to which no opinion is expressed) was as of its date, and the Official Statement (excluding information about The Depository Trust Company and its book-entry only system and the information in the section entitled "THE AUTHORITY," as to which no opinion is expressed) is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement (excluding information about The Depository Trust Company and its book-entry only system and the information in the section entitled "THE AUTHORITY," as to which no opinion is expressed) contained and the Official Statement (excluding information about The Depository Trust Company and its book-entry only system and the information in the section entitled "THE AUTHORITY," as to which no opinion is expressed) contains, and up to and including the Closing will contain, no misstatement of any material fact and does not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(d) Underwriter's Consent to Amendments and Supplements to Official Statement. Until the date which is twenty-five (25) days after the end of the underwriting period (as defined above), if any event shall occur of which the City is aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement (excluding information about The Depository Trust Company and its book-entry only system and the information in the section entitled "THE AUTHORITY," as to which no opinion is expressed), in light of the circumstances existing at such time, not misleading, the City shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the City shall promptly furnish to the Underwriter a reasonable number of copies of such supplement.

(e) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the City is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach or default would materially adversely affect the security of the Bonds or the City's performance under the City Documents; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the City Documents and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound; nor will any such authorization, execution, delivery or compliance result in

the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(f) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment of the Installment Payments, or in any way contesting or affecting the validity of the Bonds or the City Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the power of the City to pay the Installment Payments; (iii) which may result in any material adverse change relating to the City or relating to the financial condition of the City or the City's ability to make the Installment Payments; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(g) Preliminary Official Statement. For purposes of the Rule, the City has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(l) of the Rule.

(h) 2000 State Loan. Except as disclosed in the Preliminary Official Statement and the Official Statement, there are no contractual obligations outstanding that are payable from the Sewer Revenues on a senior basis to the Installment Payments or on a parity basis to the Installment Payments other than the 2000 State Loan. The City has complied and will comply with the conditions to execution and delivery of the Installment Purchase Agreement under the documents relating to the 2000 State Loan.

(i) Continuing Disclosure. Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not failed to comply with any material provision of a continuing disclosure undertaking under the Rule in the past five years.

(j) Representation to Underwriter. Any certificate signed by any official of the City and delivered to the Underwriter shall be deemed to be a representation and warranty by the City to the Underwriter as to the statements made therein.

(k) Relationship to Underwriter. The City acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as a Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings

and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (iv) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate; and (v) the Underwriter has financial and other interests that differ from those of the City.

(i) Cooperation with Blue Sky. The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the City shall not be required to register as a dealer or broker or foreign corporation in any such state or jurisdiction or consent to service of process therein.

8. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the Authority and the City of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Contract to purchase and pay for the Bonds shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the City and the Authority contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the City Documents and the Authority Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter and (ii) there shall be in full force and effect such ordinances and resolutions (the "**Resolutions**") as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement, the Authority Documents and the City Documents.

(c) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by notification to the Authority and the City if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member

thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the City, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or

(vi) a general banking moratorium shall have been established by federal or State authorities; or

(vii) there shall have occurred any outbreak of hostilities or other local, national or international calamity or crisis, or a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws by or against, any state of the United States or agency thereof, or any city in the United States having a population of over one million, the effect of which on the financial markets of the United States will be such as in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds; or

(viii) any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(ix) the commencement of any action, suit or proceeding described in Paragraphs 6(f) or 7(f) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) there shall be in force a general suspension of trading on the New York Stock Exchange; or

(xi) there shall have been any materially adverse change in the affairs of the Authority or the City which in the Underwriter's reasonable judgment materially adversely affects the ability of the Underwriter to market the Bonds.

(d) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(1) *Bond Opinion*. An approving opinion of Bond Counsel dated the date of the Closing and substantially in the form appended to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the Authority and the City may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them.

(2) *Supplemental Opinion*. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing substantially to the following effect:

(i) The City and the Authority have duly and validly executed the Purchase Contract, and the Purchase Contract constitutes the legal, valid and binding agreement of the City and the Authority, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in appropriate cases;

(ii) The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE 2013A BONDS (other than information relating to DTC and its book-entry only system, as to which no opinion need be expressed)," "SECURITY FOR THE 2013A BONDS," "TAX MATTERS," and in Appendices B and C thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture, the Installment Purchase Agreement and Bond Counsel's final approving opinion relating to the Bonds, are accurate in all material respects; and

(iii) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(3) *City Attorney Opinion*. An opinion of the City Attorney, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter, substantially to the following effect:

(i) The City is a chartered city, duly organized and validly existing under the Constitution and the laws of the State of California;

(ii) The resolution of the City (the “**City Resolution**”) approving and authorizing the execution and delivery of the City Documents and approving the Official Statement, was duly adopted at a meeting of the City Council called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the City Resolution is in full force and effect and has not been modified, amended or rescinded;

(iii) The City Documents have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding agreements of the City enforceable against the City in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally;

(iv) The rates, fees and charges for the services provided by the City’s Sewer System have been established in a manner that complies in all material respects with the applicable requirements of Articles XIIC and XIID of the California Constitution and other applicable laws of the State of California;

(v) The execution and delivery of the City Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the City a breach of or default under, any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(vi) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date of the Closing for the City to enter into the City Documents, or to perform its obligations thereunder; and

(vii) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or, to the best knowledge of such counsel after due investigation, threatened against the City, challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the City’s obligations under the City Documents or in any way contesting or affecting the validity of the City Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or under which a determination adverse to the City would have a material adverse effect upon the financial condition or the revenues of the City, or which, in any manner, questions or affects the right or ability of the City to enter into the City Documents or affects in any manner the right or ability of the City to pay the Installment Payments.

(4) *Authority Counsel Opinion.* An opinion of the City Attorney, as counsel of the Authority, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter, substantially to the following effect:

(i) The Authority is a joint powers authority, duly created and lawfully existing under the laws of the State of California;

(ii) The resolution ("**Authority Resolution**") of the Authority approving and authorizing the execution and delivery of the Authority Documents and approving the Official Statement has been duly adopted at a regular meeting of the Board of Directors of the Authority, and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded;

(iii) The Authority Documents have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority enforceable against the Authority through the final maturity of the Bonds in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(iv) The authorization, execution and delivery of the Authority Documents by the Authority and compliance by the Authority with the provisions thereof, will not conflict with, or constitute a breach or default under, any law, administrative regulation, court decree, resolution, ordinance or other agreement to which the Authority is subject or by which it is bound; and

(v) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, governmental agency or body, pending and served or, to the best of such counsel's knowledge, threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Bonds, the Authority Documents or contesting the authority of the Authority to enter into or perform its obligations under any of the Authority Documents, or which, in any manner, questions the right of the Authority to issue the Bonds or to use the Revenues for repayment of the Bonds.

(5) *Disclosure Counsel Letter.* A letter of Stradling Yocca Carlson & Rauth, a Professional Corporation ("**Disclosure Counsel**"), dated the date of the Closing, addressed to the Underwriter substantially to the following effect: On the basis of the information made available to such firm in the course of its participation in the preparation of the Official Statement (but without having undertaken to determine or verify independently, or assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement), no facts have come to the attention of the personnel in such firm directly involved in rendering legal advice and assistance to the Authority and the City in connection with the preparation of the Official Statement which cause such firm to believe that the Official Statement as of its date (excluding therefrom financial, engineering and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions, including without limitation, the descriptions of the City's finances and operation; information relating to the Depository Trust Company and the book-entry only system; as to all of which such firm expresses no view as Disclosure Counsel) contained any untrue statement of a material

fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(6) *Trustee Counsel Opinion.* The opinion of counsel to the Trustee and the Escrow Agent, dated the date of the Closing, addressed to the Underwriter, to the effect that:

(i) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, having full power to enter into, accept and administer the trusts created under the Indenture, the 2003 Escrow Agreement, the 2008 Escrow Agreement, the Assignment Agreement and the Continuing Disclosure Agreement (the "**Trustee Agreements**").

(ii) The Trustee Agreements have been duly authorized, executed and delivered by the Trustee, and constitute the legal, valid and binding obligations of the Trustee, enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought.

(iii) Except as may be required under Blue Sky or other securities laws of any state, no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Indenture, or the consummation of the transactions contemplated by the Indenture.

(7) *Underwriter's Counsel Opinion.* An opinion of Jones Hall, A Professional Law Corporation, counsel to the Underwriter, dated the Closing Date, and addressed to the Underwriter, to the effect that:

(i) during the course of serving as Underwriter's Counsel in connection with the issuance of the Bonds and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would lead them to believe that the Official Statement (excluding therefrom the financial statements, any financial or statistical data, or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Official Statement, information regarding The Depository Trust Company and its book-entry only system, and the appendices to the Official Statement as to which no opinion need be expressed), as of the date thereof or the Closing Date, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(ii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended.

(8) *Trustee/Escrow Agent's Certificate.* A certificate of the Trustee/Escrow Agent, dated the date of Closing, in form and substance acceptable to the Underwriter, to the following effect:

(i) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Trustee Agreements;

(ii) The Trustee has duly and validly executed the Trustee Agreements, and the Trustee Agreements constitute the legal, valid and binding agreement of the Trustee, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in appropriate cases;

(iii) To the Trustee's best knowledge after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body served on the Trustee or threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Trustee Agreements or contesting the powers of the Trustee or its authority to enter into, accept and perform its obligations under the Trustee Agreements.

(9) *City Certificate.* A certificate of the City, dated the date of the Closing, signed on behalf of the City by a duly authorized officer of the City to the effect that:

(i) The representations, warranties and covenants of the City contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the City has complied with all of the terms and conditions of this Purchase Contract required to be complied with by the City at or prior to the date of the Closing; and

(ii) No event affecting the City has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(10) *Authority Certificate.* A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by a duly authorized officer of the Authority to the effect that:

(i) The representation, warranties and covenants of the Authority contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Authority has complied with all of the terms and conditions of this Purchase Contract required to be complied with by the Authority at or prior to the date of Closing; and

(ii) No event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(11) *Documents.* An original executed copy of the Purchase Contract and of each of the Authority Documents and each of the City Documents.

(12) *Resolutions.* A certified copy of the Authority Resolution and the City Resolution approving the sale of the Bonds by the Authority.

(13) *Form 8038-G.* Evidence that the federal tax information form 8038-G has been prepared for filing.

(14) *Nonarbitrage Certificate.* A tax and nonarbitrage certificate in form satisfactory to Bond Counsel.

(15) *CDIAC Statements.* A copy of the Notice of Proposed Sale and Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission (“**CDIAC**”) pursuant to Section 8855(g) of the California Government Code.

(16) *Continuing Disclosure Agreement.* A Continuing Disclosure Agreement executed by the City and the Trustee in order to assist the Underwriter’s compliance with Rule 15c2-12.

(17) *Ratings.* Evidence that the Bonds have been given the ratings shown in the Official Statement.

(18) *Defeasance Opinion.* A defeasance opinion of Bond Counsel in form and substance acceptable to the Underwriter.

(19) *Escrow Verification.* A report satisfactory to the Underwriter of an independent nationally recognized certified public accountant verifying the sufficiency of amounts deposited into the escrow fund established under the Escrow Agreement to accomplish the proposed defeasance and refinancing of the City’s obligations under the 2003 Installment Purchase Agreement, the 2008 Installment Purchase Agreement and the 1993 State Loan.

(20) *Historical Continuing Disclosure Compliance.* Evidence satisfactory to the Underwriter of the information about the City’s historical continuing disclosure compliance set forth in the Preliminary Official Statement and the final Official Statement.

(21) *Additional Documents.* Such additional certificates, instruments and other documents as Bond Counsel, the Authority, the City or the Underwriter may reasonably deem necessary.

If the City or the Authority shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the

Underwriter, the City nor the Authority shall be under further obligation hereunder, except as further set forth in Section 9 hereof.

9. Expenses. The Underwriter shall be under no obligation to pay and the Authority and the City shall pay or cause to be paid the expenses incident to the performance of the obligations of the Authority and the City hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Authority Documents and the City Documents and the cost of preparing, printing, issuing and delivering the definitive Bonds, (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the Authority or the City, (c) the fees and disbursements of Bond Counsel and its financial advisor, (d) the fees and disbursements of Disclosure Counsel, (e) the cost of preparation and printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including the requisite number of copies thereof for distribution by the Underwriter, and (f) charges of rating agencies for the rating of the Bonds.

The Underwriter shall pay and neither the Authority nor the City shall be under an obligation to pay all expenses incurred by it, the fees and expenses of its counsel, and the costs of CDIAAC in connection with the public offering of the Bonds.

10. Notice. Any notice or other communication to be given to the City or the Authority under this Purchase Contract may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Ferry Building, San Francisco, CA 94111, Attention: Sara Brown.

11. Entire Agreement. This Purchase Contract, when accepted by the City and the Authority, shall constitute the entire agreement among the City, the Authority and the Underwriter and is made solely for the benefit of the City, the Authority and the Underwriter (including the successors or assigns of any Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the City's and the Authority's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Purchase Contract.

12. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

14. State of California Law Governs. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State.

15. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter, the City or the Authority without the prior written consent of the other parties hereto.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Authorized Representative

Accepted as of the date first stated above:

CITY OF OCEANSIDE

By: _____
Authorized Representative

Time of Execution: _____

OCEANSIDE PUBLIC FINANCING AUTHORITY

By: _____
Authorized Representative

Time of Execution: _____

APPENDIX A

Maturity Schedule

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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Redemption Provisions

[to come]

APPENDIX B

**OCEANSIDE PUBLIC FINANCING AUTHORITY
SEWER REVENUE REFUNDING BONDS, SERIES 2013A**

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies to Stifel, Nicolaus & Company, Incorporated (the "Underwriter") that I am an authorized representative of the City of Oceanside (the "City"), and as such, I am authorized to execute and deliver this Certificate and further hereby certify and reconfirm on behalf of the Authority and the City to the Underwriter as follows:

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

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

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

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

IN WITNESS WHEREOF, the undersigned has executed this certificate as of this ____ day of ____, 2013.

CITY OF OCEANSIDE

By: _____
Authorized Representative

ATTACHMENT 9

*Stradling Yocca Carlson & Rauth
Draft of 2/13/13*

2003 ESCROW AGREEMENT

THIS 2003 ESCROW AGREEMENT, dated as of _____ 1, 2013 (the "Agreement"), by and between the City of Oceanside (the "City") and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as escrow agent (the "Escrow Agent"), is entered into in accordance with Resolution No. _____ of the City adopted on _____, 2013 and a Trust Agreement, dated as of March 1, 2003 (the "2003 Trust Agreement"), by and among the Oceanside Public Financing Authority (the "Authority"), The Bank of New York Mellon Trust Company, N.A., as trustee (the "2003 Trustee"), and the City to refund all of the outstanding City of Oceanside Revenue Certificates of Participation (1993 Wastewater System Refunding Project), Series 2003 (the "Refunded 2003 Certificates").

WITNESSETH:

WHEREAS, the City previously authorized the execution and delivery of the Refunded 2003 Certificates pursuant to the 2003 Trust Agreement;

WHEREAS, the City has determined that a portion of the proceeds of the \$ _____ aggregate principal amount of the Oceanside Public Financing Authority Sewer Revenue Bonds, Series 2013A (the "2013A Bonds") executed and delivered pursuant to an Indenture of Trust, dated as of _____ 1, 2013, by and among the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), together with certain other moneys, will be used to provide the funds to pay on and prior to May 1, 2013, all regularly scheduled payments of interest with respect to the Refunded 2003 Certificates, and to prepay on May 1, 2013 the principal with respect to the Refunded 2003 Certificates maturing on and after May 1, 2013, plus interest with respect thereto accrued to such date, without premium (the "Prepayment Price");

WHEREAS, the City will irrevocably deposit a portion of the proceeds from the 2013A Bonds with the Escrow Agent, some of which will be used to purchase securities as described on Schedule A hereto (the "Federal Securities"), which Federal Securities satisfy the criteria set forth in Section 10.01 of the 2003 Trust Agreement, and

WHEREAS, the moneys deposited with the Escrow Agent, including interest earnings thereon, will be sufficient, along with certain other moneys deposited with the Escrow Agent as the same time pursuant to this agreement, to prepay and discharge the Refunded 2003 Certificates;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The City hereby instructs the Escrow Agent to deposit \$ _____ received from the Trustee from the net proceeds of the sale of the 2013A Bonds in the 2003 Escrow Fund established hereunder. The City hereby further instructs the 2003 Trustee to transfer to the Escrow Agent the amount of \$ _____ constituting moneys on deposit in the funds and accounts established under the 2003 Trust Agreement, and instructs the Escrow Agent to deposit such amount in the 2003 Escrow Fund established hereunder. The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the City and the Escrow Agent

in a fund hereby created and established to be known as the "2003 Escrow Fund" and to be applied solely as provided in this Agreement. The City represents that the moneys set forth above are at least equal to an amount sufficient to purchase the Federal Securities listed in Schedule A hereto, and to hold \$ _____ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Federal Securities listed on Schedule A hereto and to deposit such Federal Securities in the 2003 Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Grant Thornton, LLP (the "Verification Agent"), that the Federal Securities listed on Schedule A hereto mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the 2003 Escrow Fund, will be sufficient to pay when due all regularly scheduled payments of principal and interest with respect to the Refunded 2003 Certificates on and prior to May 1, 2013, and to prepay on May 1, 2013 the Prepayment Price of the Refunded 2003 Certificates maturing after May 1, 2013.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the City, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the City, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the 2003 Escrow Fund to pay when due all regularly scheduled payments of principal and interest with respect to the Refunded 2003 Certificates on and prior to May 1, 2013, and to prepay on May 1, 2013 the Prepayment Price of the Refunded 2003 Certificates maturing after May 1, 2013, and provided that the City has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the 2003 Trust Agreement) or interest on the 2013A Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the City with respect to the refunding of the Refunded 2003 Certificates or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the City promptly upon the receipt of such interest income by the Escrow Agent. The determination of the City as to whether an accountant qualifies under this Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the City, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the City has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the prepayment of the Refunded 2003 Certificates will not cause the interest paid with respect to the Refunded 2003 Certificates to be includable in gross income for federal income tax purposes; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in said

report will not adversely affect the sufficiency of the amounts of securities, investments and money in the 2003 Escrow Fund to pay when due all regularly scheduled payments of principal and interest with respect to the Refunded 2003 Certificates on and prior to May 1, 2013, and to prepay on May 1, 2013 the Prepayment Price of the Refunded 2003 Certificates maturing after May 1, 2013. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of Refunded 2003 Certificates.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the 2003 Escrow Fund, the Escrow Agent shall, on May 1, 2013, apply the amounts on deposit in the 2003 Escrow Fund to pay the regularly scheduled payments of principal and interest with respect to the Refunded 2003 Certificates due on May 1, 2013, and prepay on May 1, 2013 the Prepayment Price of the Refunded 2003 Certificates maturing after May 1, 2013.

(b) Irrevocable Instructions to Provide Notice. The forms of the notice required to be mailed pursuant to Sections 4.03 and 10.01 of the 2003 Trust Agreement are substantially in the forms attached hereto as Exhibits A and B. The City hereby irrevocably instructs the Escrow Agent to mail a notice of prepayment and a notice of defeasance of the Refunded 2003 Certificates in accordance with Sections 4.03 and 10.01, respectively, of the 2003 Trust Agreement, as required to provide for the prepayment of the Refunded 2003 Certificates in accordance with this Section 5.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for two years after May 1, 2013 shall be repaid by the Escrow Agent to the City.

(d) Priority of Payments. The owners of the Refunded 2003 Certificates shall have a first and exclusive lien on all moneys and securities in the 2003 Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2003 Trust Agreement, upon deposit of moneys with the Escrow Agent in the 2003 Escrow Fund as set forth in Section 1 hereof and the purchase of the various Federal Securities as provided in Section 2 hereof, all obligations of the City under the 2003 Trust Agreement with respect to the Refunded 2003 Certificates shall cease, terminate and become void except as set forth in the 2003 Trust Agreement. As provided in Section 9.01 of the Installment Purchase Agreement, dated as of March 1, 2003 (the "Installment Purchase Agreement"), by and between the City and the Authority, the obligations of the City under the Installment Purchase Agreement with respect to the portion of the Installment Payments relating to the Refunded 2003 Certificates (but solely with respect to the Refunded 2003 Certificates) shall cease, terminate, become void and be completely discharged and satisfied (except for the rights of the 2003 Trustee and the obligation of the City to have the Federal Securities and moneys on deposit in the 2003 Escrow Fund applied to Installment Payments).

SECTION 6. Application of Certain Terms of the 2003 Trust Agreement. All of the terms of the 2003 Trust Agreement relating to the making of payments of principal and interest with respect to the Refunded 2003 Certificates and relating to the exchange or transfer of the Refunded 2003 Certificates are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Article VIII of the 2003 Trust Agreement relating to the resignation and removal and merger of the 2003 Trustee under the 2003 Trust Agreement are also incorporated in this Agreement as if set

forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

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

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

SECTION 9. Indemnity. The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the City or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the 2003 Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the City shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the City or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the 2003 Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay or prepay the Refunded 2003 Certificates, as the case may be, or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the Refunded 2003 Certificates or to the validity of this Agreement as to the City and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and

complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the City.

SECTION 11. Amendments. This Agreement is made for the benefit of the City and the owners from time to time of the Refunded 2003 Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the City; provided, however, that the City and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, the Law (as defined in the Installment Purchase Agreement), or the 2003 Trust Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Refunded 2003 Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various Refunded 2003 Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the Refunded 2003 Certificates.

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the Refunded 2003 Certificates have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the City and any other reasonable fees and expenses of the Escrow Agent approved by the City; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the 2003 Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the 2003 Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the City in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 19. Notice to City and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 400 South Hope Street, Suite 400, Los Angeles, CA 90071, Attention: Corporate Trust Department. Any notice to or demand upon the City shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the City at 300 North Coast Highway, 92054, California 92054, Attention: City Manager (or such other address as may have been filed in writing by the City with the Escrow Agent).

[Remainder of Page Intentionally Left Blank]

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

CITY OF OCEANSIDE

By: _____
City Manager

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A

Federal Securities

<i>Security</i>	<i>Maturity</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
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EXHIBIT A

NOTICE OF PREPAYMENT

**REVENUE CERTIFICATES OF PARTICIPATION
(1993 WASTEWATER SYSTEM REFUNDING PROJECT)
SERIES 2003**

BASE CUSIP NO.

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Certificates (the "Certificates") of the City of Oceanside (the "City") pursuant to the Trust Agreement, dated as of March 1, 2003 (the "2003 Trust Agreement"), by and among the City, the Oceanside Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2003 Trustee"), that the Certificates in the amount of \$_____ have been called for prepayment on May 1, 2013 (the "Prepayment Date").

<i>CUSIP</i>	<i>Maturity (May 1)</i>	<i>Rate</i>	<i>Amount</i>	<i>Price</i>
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The Certificates will be payable on the Prepayment Date at a prepayment price of 100% of the principal amount plus accrued interest to such date (the "Prepayment Price"). The Prepayment Price of the Certificates will become due and payable on the Prepayment Date. Interest with respect to the Certificates to be prepaid will cease to accrue on and after the Prepayment Date, and such Certificates will be surrendered to the 2003 Trustee.

All Certificates are required to be surrendered to the principal corporate office of the 2003 Trustee, on the Prepayment Date at the following location. If the Certificates are mailed, the use of registered, insured mail is recommended:

First Class/Registered/Certified
The Bank of New York Mellon
Global Corporate Trust
P.O. Box 2320
Dallas, Texas 75221-2320

Express Delivery Only
The Bank of New York Mellon
Global Corporate Trust
2001 Bryan Street, 9th Floor
Dallas, Texas 75201

By Hand Only
The Bank of New York Mellon
Global Corporate Trust
Corporate Trust Window
101 Barclay Street, 1st Floor East
New York, New York 10286

If the Owner of any Certificate subject to optional prepayment fails to deliver such Certificate to the 2003 Trustee on the Prepayment Date, such Certificate shall nevertheless be deemed prepaid on the Prepayment Date and the Owner of such Certificate shall have no rights in respect thereof except to receive payment of the Prepayment Price from funds held by the 2003 Trustee for such payment.

Exhibit A-1

A form W-9 must be submitted with the Certificates. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

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

DATED this 1st day of April, 2013.

EXHIBIT B

NOTICE OF DEFEASANCE

REVENUE CERTIFICATES OF PARTICIPATION
(1993 WASTEWATER SYSTEM REFUNDING PROJECT)
SERIES 2003

BASE CUSIP NO.

NOTICE IS HEREBY GIVEN to the owners of the above-captioned certificates of participation (as further defined below, the "Refunded 2003 Certificates"), of the City of Oceanside (the "City") that the City has deposited with The Bank of New York Mellon Trust Company, N.A., as trustee (the "2003 Trustee") under the Trust Agreement, dated as of March 1, 2003 (the "2003 Trust Agreement"), by and among the City, the Oceanside Public Financing Authority (the "Authority") and the 2003 Trustee, cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on and prior to May 1, 2013 the regularly scheduled payments of principal and interest with respect to the Refunded 2003 Certificates, and to prepay on May 1, 2013, the principal with respect to the Refunded 2003 Certificates maturing after May 1, 2013.

The Refunded 2003 Certificates to be defeased are as follows:

<i>CUSIP</i>	<i>Maturity (May 1)</i>	<i>Rate</i>	<i>Amount</i>
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In accordance with the 2003 Trust Agreement, the Refunded 2003 Certificates are deemed to have been paid in accordance with Section 10.01 thereof and the obligations of the City and the Authority under the 2003 Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied.

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

DATED this ____ day of _____, 2013.

Exhibit B-1

ATTACHMENT 10

*Stradling Yocca Carlson & Rauth
Draft of 3/5/13*

2008 ESCROW AGREEMENT

THIS 2008 ESCROW AGREEMENT, dated as of _____ 1, 2013 (the "Agreement"), by and between the City of Oceanside (the "City") and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as escrow agent (the "Escrow Agent"), is entered into in accordance with Resolution No. _____ of the City adopted on _____, 2013 and a Trust Agreement, dated as of December 1, 2008 (the "2008 Trust Agreement"), by and among the Oceanside Public Financing Authority (the "Authority"), The Bank of New York Mellon Trust Company, N.A., as trustee (the "2008 Trustee"), and the City to refund all of the outstanding City of Oceanside Revenue Refunding Certificates of Participation, Series 2008 (the "Refunded 2008 Certificates").

WITNESSETH:

WHEREAS, the City previously authorized the execution and delivery of the Refunded 2008 Certificates pursuant to the 2008 Trust Agreement;

WHEREAS, the City has determined that a portion of the proceeds of the \$ _____ aggregate principal amount of the Oceanside Public Financing Authority Sewer Revenue Bonds, Series 2013A (the "2013A Bonds") executed and delivered pursuant to an Indenture of Trust, dated as of _____ 1, 2013, by and among the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), together with certain other moneys, will be used to provide the funds to pay on and prior to May 1, 2013, all regularly scheduled payments of principal and interest with respect to the Refunded 2008 Certificates, and to prepay on May 1, 2013 the principal with respect to the Refunded 2008 Certificates maturing after May 1, 2013, plus interest with respect thereto accrued to such date, without premium (the "Prepayment Price");

WHEREAS, the City will irrevocably deposit a portion of the proceeds from the 2013A Bonds with the Escrow Agent, some of which will be used to purchase securities as described on Schedule A hereto (the "Federal Securities"), which Federal Securities satisfy the criteria set forth in Section 10.01 of the 2008 Trust Agreement, and

WHEREAS, the moneys deposited with the Escrow Agent, including interest earnings thereon, will be sufficient, along with certain other moneys deposited with the Escrow Agent as the same time pursuant to this agreement, to prepay and discharge the Refunded 2008 Certificates;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The City hereby instructs the Escrow Agent to deposit \$ _____ received from the Trustee from the net proceeds of the sale of the 2013A Bonds in the 2008 Escrow Fund established hereunder. The City hereby further instructs the 2008 Trustee to transfer to the Escrow Agent the amount of \$ _____ constituting moneys on deposit in the funds and accounts established under the 2008 Trust Agreement, and instructs the Escrow Agent to deposit such amount in the 2008 Escrow Fund established hereunder. The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the City and the Escrow Agent in a fund hereby created and established to be known as the "2008 Escrow Fund" and to be applied

solely as provided in this Agreement. The City represents that the moneys set forth above are at least equal to an amount sufficient to purchase the Federal Securities listed in Schedule A hereto, and to hold \$ _____ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Federal Securities listed on Schedule A hereto and to deposit such Federal Securities in the 2008 Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Grant Thornton, LLP (the "Verification Agent"), that the Federal Securities listed on Schedule A hereto mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the 2008 Escrow Fund, will be sufficient to pay when due all regularly scheduled payments of principal and interest with respect to the Refunded 2008 Certificates on and prior to May 1, 2013, and to prepay on May 1, 2013 the Prepayment Price of the Refunded 2008 Certificates maturing after May 1, 2013.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the City, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the City, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the 2008 Escrow Fund to pay when due all regularly scheduled payments of principal and interest with respect to the Refunded 2008 Certificates on and prior to May 1, 2013, and to prepay on May 1, 2013 the Prepayment Price of the Refunded 2008 Certificates maturing after May 1, 2013, and provided that the City has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the 2008 Trust Agreement) or interest on the 2013A Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the City with respect to the refunding of the Refunded 2008 Certificates or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the City promptly upon the receipt of such interest income by the Escrow Agent. The determination of the City as to whether an accountant qualifies under this Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the City, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the City has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the prepayment of the Refunded 2008 Certificates will not cause the interest paid with respect to the Refunded 2008 Certificates to be includable in gross income for federal income tax purposes; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money

in the 2008 Escrow Fund to pay when due all regularly scheduled payments of principal and interest with respect to the Refunded 2008 Certificates on and prior to May 1, 2013, and to prepay on May 1, 2013 the Prepayment Price of the Refunded 2008 Certificates maturing after May 1, 2013. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of Refunded 2008 Certificates.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the 2008 Escrow Fund, the Escrow Agent shall, on May 1, 2013, apply the amounts on deposit in the 2008 Escrow Fund to pay the regularly scheduled payments of principal and interest with respect to the Refunded 2008 Certificates due on May 1, 2013, and prepay on May 1, 2013 the Prepayment Price of the Refunded 2008 Certificates maturing after May 1, 2013.

(b) Irrevocable Instructions to Provide Notice. The forms of the notice required to be mailed pursuant to Sections 4.03 and 10.01 of the 2008 Trust Agreement are substantially in the forms attached hereto as Exhibits A and B. The City hereby irrevocably instructs the Escrow Agent to mail a notice of prepayment and a notice of defeasance of the Refunded 2008 Certificates in accordance with Sections 4.03 and 10.01, respectively, of the 2008 Trust Agreement, as required to provide for the prepayment of the Refunded 2008 Certificates in accordance with this Section 5.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for two years after May 1, 2013 shall be repaid by the Escrow Agent to the City.

(d) Priority of Payments. The owners of the Refunded 2008 Certificates shall have a first and exclusive lien on all moneys and securities in the 2008 Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2008 Trust Agreement, upon deposit of moneys with the Escrow Agent in the 2008 Escrow Fund as set forth in Section 1 hereof and the purchase of the various Federal Securities as provided in Section 2 hereof, all obligations of the City under the 2008 Trust Agreement with respect to the Refunded 2008 Certificates shall cease, terminate and become void except as set forth in the 2008 Trust Agreement. As provided in Section 9.01 of the Installment Purchase Agreement, dated as of December 1, 2008 (the "Installment Purchase Agreement"), by and between the City and the Authority, the obligations of the City under the Installment Purchase Agreement with respect to the portion of the Installment Payments relating to the Refunded 2008 Certificates (but solely with respect to the Refunded 2008 Certificates) shall cease, terminate, become void and be completely discharged and satisfied (except for the rights of the 2008 Trustee and the obligation of the City to have the Federal Securities and moneys on deposit in the 2008 Escrow Fund applied to Installment Payments).

SECTION 6. Application of Certain Terms of the 2008 Trust Agreement. All of the terms of the 2008 Trust Agreement relating to the making of payments of principal and interest with respect to the Refunded 2008 Certificates and relating to the exchange or transfer of the Refunded 2008 Certificates are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Article VIII of the 2008 Trust Agreement relating to the resignation and removal and merger of the 2008 Trustee under the 2008 Trust Agreement are also incorporated in this Agreement as if set

forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

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

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

SECTION 9. Indemnity. The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the City or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the 2008 Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the City shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the City or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the 2008 Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay or prepay the Refunded 2008 Certificates, as the case may be, or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the Refunded 2008 Certificates or to the validity of this Agreement as to the City and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and

complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the City.

SECTION 11. Amendments. This Agreement is made for the benefit of the City and the owners from time to time of the Refunded 2008 Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the City; provided, however, that the City and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, the Law (as defined in the Installment Purchase Agreement), or the 2008 Trust Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Refunded 2008 Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various Refunded 2008 Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the Refunded 2008 Certificates.

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the Refunded 2008 Certificates have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the City and any other reasonable fees and expenses of the Escrow Agent approved by the City; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the 2008 Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the 2008 Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the City in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 19. Notice to City and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 400 South Hope Street, Suite 400, Los Angeles, CA 90071, Attention: Corporate Trust Department. Any notice to or demand upon the City shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the City at 300 North Coast Highway, 92054, California 92054, Attention: City Manager (or such other address as may have been filed in writing by the City with the Escrow Agent).

[Remainder of Page Intentionally Left Blank]

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

CITY OF OCEANSIDE

By: _____
City Manager

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A

Federal Securities

<i>Security</i>	<i>Maturity</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
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EXHIBIT A

NOTICE OF PREPAYMENT

**REVENUE REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2008**

BASE CUSIP NO.

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Certificates (the "Certificates") of the City of Oceanside (the "City") pursuant to the Trust Agreement, dated as of December 1, 2008 (the "2008 Trust Agreement"), by and among the City, the Oceanside Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2008 Trustee"), that the Certificates in the amount of \$_____ have been called for prepayment on May 1, 2013 (the "Prepayment Date").

<i>CUSIP</i>	<i>Maturity (May 1)</i>	<i>Rate</i>	<i>Amount</i>	<i>Price</i>
--------------	-----------------------------	-------------	---------------	--------------

The Certificates will be payable on the Prepayment Date at a prepayment price of 100% of the principal amount plus accrued interest to such date (the "Prepayment Price"). The Prepayment Price of the Certificates will become due and payable on the Prepayment Date. Interest with respect to the Certificates to be prepaid will cease to accrue on and after the Prepayment Date, and such Certificates will be surrendered to the 2008 Trustee.

All Certificates are required to be surrendered to the principal corporate office of the 2008 Trustee, on the Prepayment Date at the following location. If the Certificates are mailed, the use of registered, insured mail is recommended:

First Class/Registered/Certified
The Bank of New York Mellon
Global Corporate Trust
P.O. Box 2320
Dallas, Texas 75221-2320

Express Delivery Only
The Bank of New York Mellon
Global Corporate Trust
2001 Bryan Street, 9th Floor
Dallas, Texas 75201

By Hand Only
The Bank of New York Mellon
Global Corporate Trust
Corporate Trust Window
101 Barclay Street, 1st Floor East
New York, New York 10286

If the Owner of any Certificate subject to optional prepayment fails to deliver such Certificate to the 2008 Trustee on the Prepayment Date, such Certificate shall nevertheless be deemed prepaid on the Prepayment Date and the Owner of such Certificate shall have no rights in respect thereof except to receive payment of the Prepayment Price from funds held by the 2008 Trustee for such payment.

A form W-9 must be submitted with the Certificates. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2008, 28% will be withheld if the tax identification number is not properly certified.

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

DATED this 1st day of April, 2013.

EXHIBIT B

NOTICE OF DEFEASANCE

REVENUE REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2008

BASE CUSIP NO.

NOTICE IS HEREBY GIVEN to the owners of the above-captioned certificates of participation (as further defined below, the "Refunded 2008 Certificates"), of the City of Oceanside (the "City") that the City has deposited with The Bank of New York Mellon Trust Company, N.A., as trustee (the "2008 Trustee") under the Trust Agreement, dated as of December 1, 2008 (the "2008 Trust Agreement"), by and among the City, the Oceanside Public Financing Authority (the "Authority") and the 2008 Trustee, cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on and prior to May 1, 2013 the regularly scheduled payments of principal and interest with respect to the Refunded 2008 Certificates, and to prepay on May 1, 2013, the principal with respect to the Refunded 2008 Certificates maturing after May 1, 2013.

The Refunded 2008 Certificates to be defeased are as follows:

<i>CUSIP</i>	<i>Maturity (May 1)</i>	<i>Rate</i>	<i>Amount</i>
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In accordance with the 2008 Trust Agreement, the Refunded 2008 Certificates are deemed to have been paid in accordance with Section 10.01 thereof and the obligations of the City and the Authority under the 2008 Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied.

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

DATED this _____ day of _____, 2013.

ATTACHMENT 11

BOND COUNSEL AGREEMENT

CITY OF OCEANSIDE

SEWER REVENUE REFUNDING BONDS, SERIES 2013A

THIS AGREEMENT, made as of this 1st day of April, 2013, by and between the CITY OF OCEANSIDE, a charter city and municipal corporation 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 Oceanside Public Financing Authority (the "Authority") to issue bonds (the "Bonds") to: (i) prepay all of the currently outstanding City of Oceanside Revenue Certificates of Participation (1993 Wastewater System Refunding Project), Series 2003; (ii) prepay all of the currently outstanding City of Oceanside Revenue Refunding Certificates of Participation, Series 2008; (iii) prepay all amounts due under Loan No. C-06-4160-110 from the State Water Resources Control Board; and (iv) finance certain improvements to the City's Sewer System; 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 Bonds in one or more series; 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 Bonds. Such services shall include the rendering of legal opinions (hereinafter called the "opinions") pertaining to the Bonds to the effect that:

1. The Bonds have been properly issued and are valid and binding obligations; and
2. The essential sources of security for the Bonds have been legally provided; and

3. Interest with respect to the Bonds 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 Bonds;
- 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 issuance of the Bonds;
- iv. Supervising and preparing documentation of the steps to be taken through the issuance of the Bonds, including:
 - a. Drafting all resolutions, notices, rules and regulations and other legal documents required for the issuance of the Bonds, and all other documents relating to the security of the Bonds, 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 Bonds;
 - c. Assisting in the preparation of the portions of the official statement and any updated official statement or placement memorandum for the sale of the Bonds which relate to the terms of the Bonds and the firm's legal opinion delivered with respect to the Bonds;
 - d. Reviewing the purchase contract or the bidding documents relating to the sale of the Bonds and participating in the related negotiations;
 - e. Participating in meetings and other conferences scheduled by the City, the City's financial advisor or the underwriter;
 - f. Consulting with prospective purchasers, their legal counsel and rating agencies;
 - g. Consulting with counsel to the City concerning any legislation or litigation which may affect the Bonds, the security for the Bonds, or any other matter related to the issuance of the Bonds;

- h. Consulting with any trustee or fiscal agent for the Bonds and their counsel;
- i. Preparing the form of the Bonds, and supervising their production or printing, signing, authentication and delivery;
- j. Rendering the final approving opinion as to the validity of the Bonds for use and distribution upon their issuance; and
- k. Rendering a legal opinion to the underwriter or purchaser of the Bonds as to the applicability of the registration requirements of federal securities laws and a statement as to the fair and accurate nature of those portions of the Official Statement described in (c) above.

B. DISCLOSURE COUNSEL SERVICES

In addition to the services set forth in Section A above, Bond Counsel agrees to prepare the Official Statement to be delivered at the time of pricing of the Bonds and will provide a letter addressed to the underwriter or purchaser of the Bonds to the effect that, to the best knowledge of Bond Counsel, the offering document does not misstate a material fact or omit a material fact required to be stated therein.

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 the closing of the Bonds related to amendments to the financing 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 \$75,000 which shall be payable solely from Bond proceeds.

The fees referenced in this Section 2.A assume that the Bonds will be issued within one year from the date of this Agreement. In the event the Bonds are not issued 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 bonds such as the Bonds.

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 issuance of the series of the Bonds to which they relate, and may include an estimate of costs to be incurred subsequent to the issuance date.

3. PERSONNEL AND CONTRACT ADMINISTRATION

City agrees to accept and Bond Counsel agrees to provide the aforementioned services primarily through Brian P. Forbath, Reed T.C. Glycer 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, or his designee, 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 Manager, or his designee.

4. CONFLICTS OF INTEREST

Bond Counsel represents many of the underwriting firms active in the issuance of bonds and other municipal financings, including Stifel, Nicolaus & Company, Incorporated, the proposed underwriter for the Bonds. The City hereby provides its informed written consent to Bond Counsel's representation of such underwriting firms on matters unrelated to the Bonds.

5. 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 Bonds after their issuance, Bond Counsel's representation of City shall terminate on the date of issuance of the Bonds.

6. 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.

7. 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; 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.

8. 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 P. Forbath

EXHIBIT A

Shareholders	\$465
Associates	\$250
Paralegals	\$125

