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DATE: June 24, 2015

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

FROM: City Treasurer's Office

SUBJECT: **ADOPTION OF A RESOLUTION AUTHORIZING THE ISSUANCE OF  
THE 2015 TAXABLE PENSION OBLIGATION REFUNDING BONDS**

### **SYNOPSIS**

Staff recommends that the City Council adopt a resolution authorizing the execution and delivery of documents relating to the sale and delivery of, not to exceed \$35,000,000, the 2015 Taxable Pension Obligation Refunding Bonds, and authorizing other matters relating thereto.

Staff is requesting authorization to issue bonds (the "2015 Refunding Bonds") for the purpose of refunding the 2005 Taxable Pension Obligation Bonds (the "Prior Bonds"). By refinancing the Prior Bonds at a lower interest rate, debt service payments will decline, providing savings for the City. The anticipated net present value savings over the life of the bonds is estimated at \$2.88 million of the refunded bond amount. Average annual savings over the next ten years is estimated at \$319,000.

The following documents pertaining to the sale of the certificates of participation, in substantially the form as attached, will be approved as part of the resolutions: Preliminary Official Statement, First Supplemental Trust Agreement, Escrow Agreement, and Continuing Disclosure Agreement.

### **BACKGROUND**

In August 2005 the City issued the Prior Bonds in the amount of \$42,780,000 for the purpose of financing the payment of the City's unfunded accrued actuarial liability (UAAL) with the City's retirement system, California Public Employees Retirement System (CalPERS). An unfunded accrued actuarial liability (UAAL) is the amount by which CalPERS is short of the amount that will be necessary, without further payments from the City, to pay benefits already earned by current and former employees covered by CalPERS. The total UAAL balance paid with the bond proceeds was \$42,072,326: \$36,056,984 for the Safety Plan and \$6,015,342 for the Miscellaneous Plan. The overall net present value savings for both plans was \$6,717,211, producing an average annual

cash flow savings of \$581,000. The cash flow and net present value savings were based on CalPERS' 2005 amortization rate of 7.75 percent and an all-in true interest cost (All-in TIC) of the Prior Bonds of 5.35 percent. Details for the Prior Bonds are highlighted below.

2005 Taxable Pension Obligation Bonds

• Issue Date:	August 17, 2005
• Par Amount:	\$42,780,000
• Maturity date:	August 15, 2025
• Call Date:	August 15, 2015
• Avg Coupon Rate on Remaining Bonds:	5.30%
• Outstanding Principal:	\$31,605,000

**ANALYSIS**

Staff, with the assistance of the financing team (comprised of the financial advisement firm CSG Advisors, underwriting firm Stifel, Nicolaus & Company, Inc. and bond counsel Stradling, Yocca, Carlson & Rauth), evaluated the potential refinancing of the Prior Bonds to achieve debt service savings for the City. The financing team determined that there were sufficient savings due to the current low interest rate environment to warrant pursuing a bond refinancing on a public offering basis. Pursuing refinancing now was considered especially time and cost efficient, doing so in tandem with refinancing the City's 2005 Civic Center Certificates of Participation, since presentation of each financing for a rating and bond insurance required similar presentation of information about the creditworthiness of the City's General Fund.

Staff is recommending refinancing the Prior Bonds which are eligible to be called on August 15, 2015. Based on a pricing analysis dated June 10, 2015; the 2015 Refunding Bonds would have an estimated par amount of \$31.925 million, with an August 15, 2025 maturity date. The estimated all-in interest rate (includes issuance costs estimated at \$317,000) on the bonds is 3.68 percent. Annual debt service payments would range from \$3.5 million to \$4.8 million. The estimated net present value savings (NPV) over the over the remaining life of the bonds is estimated at \$2.88 million (includes issuance costs) of the refunded bond amount. The average annual savings is estimated at \$319,000. The final savings will be determined at bond pricing. On a percentage basis, the NPV is equivalent to 7.25 percent, which exceeds the standard NPV savings threshold of 3 percent used to determine whether the refinancing is viable.

The bonds will be sold on a public offering basis (sale of bonds on the open market), by Stifel, Nicolaus (Underwriter), pursuant to a purchase contract between the Underwriter and the City. The sale and closing of the bonds will occur in July 2015.

City Council is being asked to adopt a resolution that authorizes the issuance of the bonds, in a par amount not to exceed \$35,000,000. The resolution also authorizes the execution and delivery of bond documents related to the sale of the bonds (such as the

Preliminary Official Statement, First Supplemental Trust Agreement, Escrow Agreement, and Continuing Disclosure Agreement). The documents approved by Council will be finalized and executed at bond closing.

### **FISCAL IMPACT**

The net present value savings over the remaining life of the refunded Prior Bonds, is estimated at \$2.88 million (includes issuance costs) of the refunded bond amount, or 7.25 percent. The average annual debt service savings is estimated at \$319,000 per year through August 2025. The estimates are based on current market conditions. The final savings will be determined at the time of bond pricing.

The bond issuance costs, estimated at \$317,000, will be paid using bond proceeds and have been factored into the estimated savings from the refunding. If the bonds are not issued, the City will be liable for non-contingent costs (rating fees) estimated at \$21,200.

Revenue for the debt service payment on the 2015 Taxable Pension Obligation Refunding Bonds is collected through departmental personnel services charges (Pension Bond Debt Charge, object code 5212). The principal, interest and other bond administrative expenses are budgeted in Fund 420 – General Debt Service Fund.

### **COMMISSION OR COMMITTEE REPORT**

Does not apply.

### **CITY ATTORNEY'S ANALYSIS**

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

**RECOMMENDATION**

Staff recommends that the City Council adopt a resolution authorizing the execution and delivery of documents relating to the sale and delivery of, not to exceed \$35,000,000, the 2015 Taxable Pension Obligation Refunding Bonds, and authorizing other matters relating thereto.

PREPARED BY:

SUBMITTED BY:



\_\_\_\_\_  
Michele C. Lund, CCMT  
Treasury Manager



\_\_\_\_\_  
Michelle Skaggs Lawrence  
Interim City Manager\Executive Director

REVIEWED BY:

Peter A. Weiss, Assistant City Manager  
Gary Ernst, City Treasurer  
Jane McPherson, Interim Director of Financial Services



Attachments

1. Resolution of the City Council of the City Of Oceanside, California, authorizing execution and delivery of documents relating to the sale and delivery of not to exceed \$35,000,000 of City Of Oceanside Taxable Pension Obligation Refunding Bonds, Series 2015, and authorizing other matters relating thereto
2. Preliminary Official Statement
3. First Supplemental Trust Agreement between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Trustee
4. Escrow Agreement between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Escrow Bank
5. Bond Purchase Agreement between the City of Oceanside and Stifel, Nicolaus & Company, Incorporated, Underwriter
6. Continuing Disclosure Agreement between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Dissemination Agent

## RESOLUTION NO. \_\_\_\_\_

1  
2 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE,  
3 CALIFORNIA, AUTHORIZING EXECUTION AND DELIVERY OF  
4 DOCUMENTS RELATING TO THE SALE AND DELIVERY OF NOT TO  
5 EXCEED \$35,000,000 OF CITY OF OCEANSIDE TAXABLE PENSION  
6 OBLIGATION REFUNDING BONDS, SERIES 2015, AND AUTHORIZING  
7 OTHER MATTERS RELATING THERETO

8 WHEREAS, the City Council (the "City Council") of the City of Oceanside (the "City")  
9 adopted a retirement plan pursuant to the Public Employees' Retirement Law, commencing with  
10 Section 20000 of the Government Code of the State of California, as amended (the "Retirement  
11 Law"); and

12 WHEREAS, the Retirement Law obligates the City to (i) make annual contributions to the  
13 California Public Employees' Retirement System (the "System") to fund pension benefits for its  
14 employees, (ii) amortize the unfunded accrued actuarial liability with respect to such pension  
15 benefits, and (iii) appropriate funds for the purposes described in (i) and (ii) above; and

16 WHEREAS, the obligation of the City to pay the unfunded accrued actuarial liability to the  
17 System (the "Pension Obligation") is evidenced by a contract between the City and the System, dated  
18 July 1, 1945, and amended from time to time thereafter (the "PERS Contract"), and

19 WHEREAS, on June 16, 2005, the City secured a validation judgment from the Superior  
20 County of the State of California in and for the County of San Diego which judgment validated the  
21 issuance of bonds to refund the City's Pension Obligation under the PERS Contract and any  
22 refunding bonds issued to refund said bonds; and

23 WHEREAS, in 2005, the City entered into a Trust Agreement, dated as of August 1, 2005  
24 (the "Trust Agreement"), between the City and The Bank of New York Mellon Trust Company, N.A.  
25 (the "Trustee"), pursuant to which the City issued its City of Oceanside Taxable Pension Obligation  
26 Bonds, Series 2005 (the "2005 Bonds") in the aggregate principal amount of \$42,780,000 for the  
27 purpose of refunding City obligations to the System evidenced by the PERS Contract; and  
28

1           WHEREAS, pursuant to Section 2.07 of the Trust Agreement, the City may issue additional  
2 series of bonds on a parity with the 2005 Bonds (i) to refund other obligations of the City to the  
3 System evidenced by the PERS Contract or (ii) to refund any bonds then outstanding under the Trust  
4 Agreement; and

5           WHEREAS, the City has determined that it is in the best interests of the City to refund and  
6 redeem the 2005 Bonds by issuing its City of Oceanside Taxable Pension Obligation Refunding  
7 Bonds, Series 2015, in the aggregate principal amount of not to exceed \$35,000,000 (the “2015  
8 Bonds”); and

9           WHEREAS, the 2015 Bonds will be issued pursuant to the Trust Agreement, as  
10 supplemented by a First Supplemental Trust Agreement to be entered into between the City and the  
11 Trustee (the “First Supplemental Trust Agreement”); and

12           WHEREAS, there has been provided to the City Council copies of (i) the proposed form of  
13 the First Supplemental Trust Agreement relating to the 2015 Bonds, including the form of the 2015  
14 Bond attached thereto as an exhibit, (ii) an Escrow Agreement providing for the defeasance and  
15 redemption of the 2005 Bonds; (iii) the Purchase Contract relating to the 2015 Bonds, (iv) the  
16 Preliminary Official Statement relating to the 2015 Bonds and (v) a Continuing Disclosure  
17 Agreement relating to the 2015 Bonds.

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

19           Section 1.     Findings. The City Council hereby finds and declares that the issuance of the  
20 2015 Bonds to redeem the 2005 Bonds, and the other actions contemplated by this Resolution, are in  
21 the best interests of the City.

22           Section 2.     The 2015 Bonds. The City Council hereby authorizes and approves the  
23 issuance of the 2015 Bonds and hereby authorizes and directs the Mayor to execute the 2015 Bonds  
24 and to cause the 2015 Bonds to be authenticated and delivered in accordance with the First  
25 Supplemental Trust Agreement. The 2015 Bonds shall be in substantially the form attached to the  
26 First Supplemental Trust Agreement, with such changes therein, deletions therefrom and additions  
27 thereto as the Mayor or City Manager shall approve, such approval to be conclusively evidenced by  
28

1 the execution and delivery of the 2015 Bonds. The aggregate initial principal amount of the 2015  
2 Bonds shall not exceed \$35,000,000. The Underwriter's discount on the 2015 Bonds, excluding any  
3 original issue discount, shall not exceed 0.60% of the aggregate principal amount of the 2015 Bonds.  
4 The true interest cost applicable to the 2015 Bonds shall not exceed 4.50% per annum. The 2015  
5 Bonds shall constitute an obligation imposed by law, pursuant to the Constitution of the State of  
6 California and the Retirement Law and an obligation of the City not limited as to payment from any  
7 special source of funds. The 2015 Bonds shall not, however, constitute an obligation of the City for  
8 which the City is obligated to levy or pledge any form of taxation or for which the City has levied or  
9 pledged any form of taxation.

10 Section 3. First Supplemental Trust Agreement. The proposed form of the First  
11 Supplemental Trust Agreement, between the City and the Trustee, a copy of which has been provided  
12 to the City Council, is hereby approved. The Mayor, the City Manager, the Deputy City Manager,  
13 the Director of Finance and the Treasury Manager, and any designees thereof, (the "Authorized  
14 Representatives") are each hereby authorized and directed, severally, for and on behalf of the City, to  
15 execute and deliver the First Supplemental Trust Agreement, substantially in the form provided to the  
16 City Council, with such changes therein, deletions therefrom and additions thereto (including, but not  
17 limited to changes, deletions and additions as may be required by a bond rating agency) as such  
18 Authorized Representative shall approve, such approval to be conclusively evidenced by the  
19 execution and delivery of the First Supplemental Trust Agreement.

20 Section 4. Purchase Contract. The proposed form of Purchase Contract, between the  
21 City and Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), a copy of which has been  
22 provided to the City Council, is hereby approved. The Authorized Representatives are each hereby  
23 authorized and directed, severally, for and on behalf of the City, to execute and deliver the Purchase  
24 Contract, substantially in the form provided to the City Council, with such changes therein, deletions  
25 therefrom and additions thereto as such Authorized Representative shall provide, such approval to be  
26 conclusively evidenced by the execution and delivery of the Purchase Contract.

1           Section 5.     Preliminary Official Statement. Each of the Authorized Representatives is  
2 hereby authorized to approve a Preliminary Official Statement relating to the 2015 Bonds (such  
3 approval to be conclusively evidenced by the delivery thereof) (the “Preliminary Official  
4 Statement”), and the City Council hereby approves the use of the Preliminary Official Statement, a  
5 copy of which has been provided to the City Council, in connection with the offering and sale of the  
6 2015 Bonds, with such additions thereto and changes therein as are determined necessary or  
7 appropriate by an Authorized Representative to make such Preliminary Official Statement final as of  
8 its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission (except for the  
9 omission of those items permitted by said Rule). Each Authorized Representative is authorized to  
10 deem the Preliminary Official Statement to be final within the meaning of such Rule 15c2-12 subject  
11 to completion of those items permitted by said Rule.

12           Section 6.     Final Official Statement. Each of the Authorized Representatives is hereby  
13 authorized to approve an Official Statement relating to the 2015 Bonds (such approval to be  
14 conclusively evidenced by his execution and delivery thereof) (the “Official Statement”), and the  
15 City Council hereby approves the use of the Official Statement in connection with the offering and  
16 sale of the 2015 Bonds. The City Council hereby further approves the use of any supplement or  
17 amendment to the Official Statement that is necessary or appropriate so that, in the opinion of an  
18 Authorized Representative, such Official Statement does not include any untrue statement of a  
19 material fact and does not omit to state a material fact necessary to make the statements therein, in  
20 the light of the circumstances under which such statements were made, not misleading. Each of the  
21 Authorized Representatives is hereby authorized and directed, severally, to execute the Official  
22 Statement and any amendment or supplement thereto, in the name and on behalf of the City, and  
23 thereupon to cause such Official Statement and any such amendment or supplement to be delivered  
24 to the Underwriter. The Underwriter is authorized to distribute the Preliminary Official Statement  
25 and the Official Statement, and any such supplement or amendment thereto, to the purchasers or  
26 prospective purchasers of the 2015 Bonds.

1 Section 7. Escrow Agreement. The form of Escrow Agreement (the “Escrow  
2 Agreement”) relating to the defeasance and redemption of the 2005 Bonds as presented at this  
3 meeting and by and between the City and The Bank of New York Mellon Trust Company, N.A., as  
4 Escrow Bank, is hereby approved and the Authorized Representatives are each hereby authorized and  
5 directed, severally, for and in the name of and on behalf of the City, to execute and deliver the  
6 Escrow Agreement in substantially the form presented at this meeting with such changes therein as  
7 the Authorized Representative executing the same may approve, such approval to be conclusively  
8 evidenced by the execution and delivery thereof.

9 Section 8. Continuing Disclosure Agreement. The proposed form of Continuing  
10 Disclosure Agreement (the “Disclosure Agreement”), between the City and The Bank of New York  
11 Mellon Trust Company, N.A., as dissemination agent, a copy of which has been provided to the City  
12 Council, is hereby approved. The Authorized Representatives are each hereby authorized and  
13 directed, severally, for and on behalf of the City, to execute and deliver the Disclosure Agreement,  
14 substantially in the form provided to the City Council, with such changes therein, deletions therefrom  
15 and additions thereto as such Authorized Representative shall provide, such approval to be  
16 conclusively evidenced by the execution and delivery of the Disclosure Agreement.

17 Section 9. Other Actions. Each of the Authorized Representatives is hereby authorized  
18 to do any and all things, including (without limitation) to execute and deliver any and all certificates,  
19 requisitions, agreements, notices, consents, and other documents, including a letter of representations  
20 to the securities depository and the closing certificates, which any such Authorized Representative  
21 may deem necessary or advisable in order to consummate the issuance, sale and delivery of the 2015  
22 Bonds as contemplated in the Purchase Contract, the Trust Agreement as supplemented, the  
23 Disclosure Agreement and the Escrow Agreement, and any such actions previously taken by any  
24 Authorized Representative are hereby ratified, confirmed and approved.

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27 \\\

1 Section 10. Effective Date. This Resolution shall take effect upon its adoption.

2 PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this  
3 day of \_\_\_\_\_, 2015, by the following vote:

4  
5 AYES:

6 NAYS:

7 ABSENT:

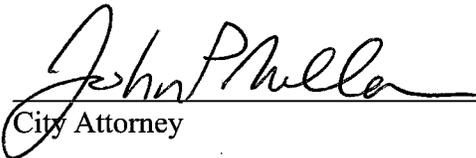
8 ABSTAIN:  
9

10  
11 \_\_\_\_\_  
MAYOR OF THE CITY OF OCEANSIDE

12  
13 ATTEST:

APPROVED AS TO FORM:

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15 \_\_\_\_\_  
City Clerk

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\_\_\_\_\_  
City Attorney

ATTACHMENT 2

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2015

NEW ISSUE—BOOK-ENTRY ONLY  
Federally Taxable

RATING: S&P: “\_\_\_\_\_”

(See “RATING” herein)

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, the interest (and original issue discount) with respect to the Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, such interest (and original issue discount) is exempt from State of California personal income tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Bonds. See “TAX MATTERS” herein.*

\$ \_\_\_\_\_  
**CITY OF OCEANSIDE**  
**TAXABLE PENSION OBLIGATION REFUNDING BONDS**  
**SERIES 2015**

Dated: Date of Delivery

Due: August 15, as shown on the inside front cover

The City of Oceanside (the “City”) is issuing its \$ \_\_\_\_\_\* Taxable Pension Obligation Refunding Bonds, Series 2015 (the “Bonds”), pursuant to a Trust Agreement, dated as of August 1, 2005, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, as supplemented by a First Supplemental Trust Agreement dated as of \_\_\_\_\_ 1, 2015, and pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. The Bonds are being issued to refund the City’s Taxable Pension Obligation Bonds, Series 2005. See “THE REFUNDING PLAN” herein.

The Bonds will be delivered in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). See “THE BONDS—General” herein. So long as Cede & Co. is the registered owner of the Bonds, references herein to the owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The interest on the Bonds is payable semiannually on February 15 and August 15 (each an “Interest Payment Date”) of each year, commencing [February 15, 2016], through the maturity date of such Bonds. Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued in such principal amounts, and will bear interest at the rates, payable on the dates as shown on the inside cover of this Official Statement.

The Bonds are subject to mandatory sinking fund redemption prior to maturity as described herein. See “THE BONDS” herein.

THE OBLIGATIONS OF THE CITY UNDER THE BONDS, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF THE INTEREST ON AND THE PRINCIPAL OF THE BONDS WHEN DUE OR UPON PRIOR REDEMPTION, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. SEE “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

This cover page and the inside front cover page contain information for reference only. They are not a summary of this issue. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision.

*The Bonds will be offered when, as and if issued, and received by the Underwriter, subject to approval as to their legality by Stradling Carlson Yocca & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel. Certain additional matters will be passed upon by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the City. Certain other legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about \_\_\_\_\_, 2015.*

[STIFEL LOGO]

Dated: \_\_\_\_\_, 2015

\* 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.

\$ \_\_\_\_\_<sup>\*</sup>  
**CITY OF OCEANSIDE**  
**TAXABLE PENSION OBLIGATION REFUNDING BONDS**  
**SERIES 2015**

**MATURITY SCHEDULE**

**Base CUSIP<sup>†</sup>: \_\_\_\_\_**

<i><b>Maturity Date (August 15)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>CUSIP<sup>†</sup></b></i>
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				

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*\* Preliminary, subject to change.*

*† Copyright 2015, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. Neither the City nor the Underwriter guaranty the accuracy of the CUSIP data.*

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

**CITY COUNCIL**

Jim Wood, *Mayor*  
Chuck Lowery, *Deputy Mayor*  
Esther C. Sanchez, *Council Member*  
Jerome M. Kern, *Council Member*  
Jack Feller, *Council Member*

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**CITY OFFICIALS**

Michelle Lawrence, *Interim City Manager*  
John P. Mullen, *City Attorney*  
Zack Beck, *City Clerk*  
Gary M. Ernst, *City Treasurer*  
Michele Lund, *Treasury Manager*

---

**BOND COUNSEL AND DISCLOSURE COUNSEL**

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

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**FINANCIAL ADVISOR**

CSG Advisors Incorporated  
San Francisco, California

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**TRUSTEE/ESCROW BANK**

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

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**VERIFICATION AGENT**

[Grant Thornton, LLP  
Minneapolis, Minnesota]

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

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement 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 fact.

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

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither 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 or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A.

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.**

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

**THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

The City maintains a website; however, 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 Bonds.

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## OFFICIAL STATEMENT

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**CITY OF OCEANSIDE  
TAXABLE PENSION OBLIGATION REFUNDING BONDS  
SERIES 2015**

### INTRODUCTION

*This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. This Official Statement speaks only as of its date, and the information contained herein is subject to change.*

#### General

This Official Statement provides certain information concerning the issuance, sale and delivery of the City of Oceanside Taxable Pension Obligation Refunding Bonds, Series 2015 (the "Bonds"), in the aggregate principal amount of \$ \_\_\_\_\_ \*. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Trust Agreement, dated as of August 1, 2005, by and between the City of Oceanside (the "City") and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Agreement, dated as of \_\_\_\_\_ 1, 2015 (as supplemented, the "Trust Agreement"). For definitions of certain words and terms used but not otherwise defined herein, see APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT."

The City is a member of the California Public Employees' Retirement System ("PERS"), a multiple employer public employees retirement program that acts as a common investment and administrative agent for participating entities within the State of California. As such, the City is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "Retirement Law"), and the contract between the Board of Administration of PERS and the City Council of the City, effective September 8, 1954 (the "PERS Contract"), as amended, to make contributions to PERS to (a) fund pension benefits for its employees who are members of PERS, (b) amortize the unfunded liability with respect to such pension benefits, and (c) appropriate funds for such purposes. The City is authorized pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code (the "Refunding Bond Law"), to issue bonds for the purpose of refunding obligations evidenced by the PERS Contract. On August 25, 2005, the City issued its Taxable Pension Obligation Bonds, Series 2005 (the "Prior Bonds") pursuant to the Trust Agreement and a resolution of issuance adopted by the City Council of the City (the "Council") on April 6, 2005. The proceeds from the sale of the Prior Bonds were used to refund the City's obligations to PERS evidenced by the PERS Contract and representing the then current unamortized, unfunded accrued actuarial liability (the "Unfunded Liability") with respect to certain pension benefits under the Retirement Law. The Bonds are being issued pursuant to a resolution adopted by the Council on \_\_\_\_\_, 2015, the Trust Agreement, the Refunding Bond Law and a validation judgment entered on June 16, 2005 by the Superior Court of the State of California in and for the County of San Diego. The Bonds are being issued to redeem the Prior Bonds on [August 15, 2015] and to pay the costs of issuing the Bonds. See "VALIDATION" herein.

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\* Preliminary, subject to change.

The obligations of the City under the PERS Contract and the Bonds, including the City's obligation to make all payments of interest and principal when due, are absolute and unconditional, without any right of set-off or counterclaim. The Bonds are not limited as to payment to any special source of funds of the City.

THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO PLEDGE ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

### **Continuing Disclosure**

The City will covenant for the benefit of bondholders and Bondowners to make available certain financial information and operating data relating to the City and to provide notices of the occurrence of certain enumerated events in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. The specific nature of the information to be made available and the enumerated events are summarized below under the caption "CONTINUING DISCLOSURE" and set forth in Appendix E — "FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

### **Miscellaneous**

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for the budget for fiscal year 2014-15, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Included herein are brief summaries of the Trust Agreement and certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" attached hereto. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Bondowners of the Bonds. Copies of the documents are on file and available for inspection at the corporate trust office of the Trustee in Los Angeles, California. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as the Trust Agreement. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" attached hereto for definitions of certain words and terms used by not otherwise defined herein.

## **THE BONDS**

### **General**

The Bonds will be issued in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations hereinafter set forth. Principal, premium, if any, and interest on the

Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners (herein defined) of the Bonds. See APPENDIX F — “BOOK-ENTRY SYSTEM” herein.

The Bonds will be dated the date of delivery, mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside front cover page of this Official Statement. The Bonds will be delivered in denominations equal to \$5,000 or any integral multiple thereof. Interest on the Bonds will be payable on each February 15 and August 15, commencing [February 15, 2016], by check mailed by first class mail on such interest payment date to such registered holders at the address shown on the registration books maintained by the Trustee; provided, however, that any Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds may be paid interest by wire transfer upon written request submitted to the Trustee prior to the Record Date. Under the Trust Agreement, “Record Date” means the first Business Day of each calendar month in which there is an Interest Payment Date.

**No Optional Redemption of the Bonds**

The Bonds are not subject to redemption prior to their stated maturity.

**Mandatory Sinking Fund Redemption of the Bonds**

The Bonds maturing August 15, 20\_\_ (the “Term Bonds”) are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of such Bonds to be redeemed, plus accrued interest to the redemption date, without premium. The Term Bonds shall be so redeemed on the following dates and in the following amounts:

<i>Redemption Date</i> <i>(August 15)</i>	<i>Principal</i> <i>Amount</i>
--	-----------------------------------

(maturity)

On or before the forty-fifth day prior to any mandatory sinking fund redemption date, the Trustee shall proceed to select for redemption pro-rata from all Term Bonds an aggregate principal amount of such Term Bonds equal to the amount for such year as set forth in the table above and shall call such Term Bonds or portions thereof for redemption and give notice of such redemption in accordance with the terms of the Trust Agreement. At the option of the City, to be exercised by delivery of a written certificate to the Trustee on or before the sixtieth day next preceding any mandatory sinking fund redemption date, it may (a) deliver to the Trustee for cancellation Term Bonds or portions thereof (in the amount of an Authorized Denomination) of the stated maturity subject to such redemption or (b) specify a principal amount of such Term Bonds or portions thereof (in the amount of an Authorized Denomination) which prior to said date have been purchased or redeemed and cancelled by the Trustee at the request of the City and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. In the event that the Term Bonds are optionally redeemed, in part, the foregoing mandatory sinking fund payments will be reduced as nearly as practicable on a pro-rata basis in integral multiples of \$5,000.

**Notice of Redemption**

So long as the Bonds are held in book-entry form by DTC, notices of redemption will be mailed only to DTC and not to the beneficial owners of Bonds.

Notice of redemption will be mailed: (i) in the case of Bonds not held as book-entry Bonds by DTC, by first class mail by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) in the case of Bonds held by DTC, by facsimile transmission or an express delivery service for delivery on the next following Business Day; and (iii) in the case of Bonds not held by DTC as book-entry Bonds, by registered or certified mail or overnight delivery service to one or more Information Services not later than the date of mailing required by clause (i) above. Each notice of redemption shall state the Bonds or designated portions thereof to be redeemed, the date of redemption, the place of redemption, the redemption price, the CUSIP number (if any) of the Bonds to be redeemed, the distinctive numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or part. Each such notice shall also state that on said date there will become due and payable on each of the Bonds to be redeemed the redemption price, and redemption premium, if any, thereof, and that from and after such redemption date interest thereon shall cease to accrue. Failure to receive such notice or any defect therein shall not invalidate any of the proceedings taken in connection with such redemption.

### **Selection of Bonds for Redemption**

Bonds are subject to redemption pro rata within a maturity. Upon surrender of a Bond to be redeemed in part, the Trustee will authenticate for the registered owner a new Bond or Bonds of the same maturity and tenor equal in principal amount to the unredeemed portion of the Bond surrendered.

## **SECURITY AND SOURCE OF PAYMENT FOR THE BONDS**

### **Bond Payments**

The obligations of the City under the Bonds, including the obligation to make all payments of principal, premium, if any and interest when due, are absolute and unconditional, without any right of set-off or counterclaim.

The Trust Agreement requires the City to deposit or cause to be deposited with the Trustee from any source of legally available funds, no later than the Closing Date and July 31 of each year thereafter, funds in an aggregate amount equal to the aggregate amount of principal and interest required to be paid on the Bonds (the "Deposit Amount") (less amounts on deposit in the Revenue Fund) for the Payment Calculation Period in which such July 31 falls. No assurance can be given as to the amount and source of money available in the City treasury for such transfer at any particular time. However, the Trust Agreement provides that the City shall punctually pay the interest on and the principal of and premium, if any, to become due on the Bonds.

From time to time, the City may enter into (i) one or more other trust agreements or indentures and/or (ii) one or more supplemental agreements supplementing and/or amending the Trust Agreement, for the purpose of providing for the issuance of Additional Bonds to refund the Bonds or to refund any Unfunded Liability under the PERS Contract or any other obligations due to PERS. Such Additional Bonds may be issued on a parity with the Bonds.

### **Limited Obligations**

THE BONDS ARE GENERAL OBLIGATIONS OF THE CITY PAYABLE FROM ANY LAWFULLY AVAILABLE FUNDS OF THE CITY AND ARE NOT LIMITED AS TO PAYMENT TO ANY SPECIAL SOURCE OF FUNDS OF THE CITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO OR HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE BONDS CONSTITUTES AN INDEBTEDNESS

OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

### **PERS PENSION PLANS**

*This caption contains certain information relating to PERS. The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The City has not independently verified the information provided by PERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by PERS.*

*The comprehensive annual financial reports of PERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

#### **General**

The City contributes to PERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. All permanent and temporary employees who work more than 1,000 hours are eligible to participate in PERS. Benefits vest after 5 years of service and vary based upon final yearly compensation, pension plan, length of service, pension tier, and age at retirement. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans (each, a "PERS Plan") for the City based on type of employee (i.e., a PERS Plan for "Safety Employees" and a separate PERS Plan for "Miscellaneous Employees"). The City contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the City who are eligible under PERS.

PERS is not obligated in any manner for payment of debt service on the Bonds issued under the Trust Agreement, and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 Q Street Sacramento, California 95811 or (888) 225-7377, [www.calpers.ca.gov](http://www.calpers.ca.gov) for other information, including information relating to its financial position and investments.

#### **Actuarial Valuations**

The staff actuaries at PERS prepare annually an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared. The actuarial valuations express the City's required contribution rates in percentages of payroll, which percentages the City must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared. PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which include two components, the normal cost and the unfunded actuarial accrued liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay

under the PERS 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. The assumed rate of investment return utilized in the actuarial valuation is established by PERS and the City has no ability to predict the assumed rate of return, currently 7.5%, from time to time. 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 PERS will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owes to PERS under their respective PERS Plans.

### **PERS Actuarial Assumptions and Policies**

In the aftermath of the economic downturn in 2008, the PERS Board has on several occasions adopted policies aimed at properly funding the pension system, while also attempting to lessen the resulting negative impacts on member agencies in the form of higher rates. These policies are used to set employer contribution rates for each city. While investment returns in the years since the economic downturn have largely reversed previous losses, the changes are designed to limit the possibility of the pension system becoming significantly underfunded in the future.

On April 17, 2013, the PERS Board adopted staff recommendations to modify both smoothing and amortization policies in response to concerns about future funded levels and increases in employer contribution rates. The changes adopted by the PERS Board modify the smoothing approach used by PERS and shorten smoothing and amortization periods. The PERS staff report states that over time, these methods are designed to improve funding levels and help reduce the overall funding level risk. Under the proposed changes, PERS will no longer use an actuarial value of assets, using instead the market value of assets, and will employ an amortization and smoothing policy that will spread rate increases and decreases over a five-year period and will amortize experience gains and losses over a fixed 30-year period. These changes will impact employer contribution rates for the City starting with Fiscal Year 2015-16. Further information on this PERS Board action is set forth in Circular Letter #200-019-13 (Employer Rate Increases Due to Amortization and Smoothing Policy changes), dated April 26, 2013.

On February 18, 2014, the PERS Board adopted staff recommendations to modify the demographic and mortality assumptions included in PERS' actuarial valuations. The demographic assumptions include adjustments to the retirement, disability, and salary projections that will cause minor increases in contribution rates in the future. Also included were changes to the PERS asset allocation strategy that will reduce the expected volatility of future investment returns and cause minor increases in contribution rates in the future. The significant component of the approved changes is the revision to the mortality assumptions previously employed in the actuarial valuations, which did not take into account prospective increases in life expectancy. The new assumptions project improved mortality over a 20-year period, which results in a significant increase in required employer contribution rates. As was the case with the smoothing and amortization changes approved in 2013, the PERS Board approved a 5-year phase in of the resulting contribution rate increases beginning in fiscal year 2016-17. The City is taking steps to plan for these increases and to incorporate the required additional funding in to future budgets. Further information on this PERS Board action is set form in Circular Letter #200-013-14 (Employer Rate Impact Due to Changes in Actuarial Assumptions), dated March 10, 2014.

Included within the City's June 30, 2013, actuarial valuation report, which sets the contribution rates for fiscal year 2015-16, is a five year forecast of anticipated contribution rates for the City. This forecast takes into account the impact of the smoothing, amortization, demographic, asset allocation and mortality changes and assumes that PERS earns an 18.0% investment return for fiscal year 2013-14 and a 7.5% investment return every fiscal year thereafter. It also assumes that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur prior to the beginning of fiscal

year 2016-17. Over the five year period it is projected that the employer rates for the City's miscellaneous plan will increase from 23.841% of payroll to 29.600% percent of payroll and that the employer rates for the City's safety plan will increase from 32.881% of payroll to 40.500% of payroll. The City is taking steps to plan for these increases and to incorporate the required additional funding into future budgets.

Except as otherwise described herein, the City is not aware of any measures similar to those provided in Circular Letters #200-019-13 (Employer Rate Increases Due to Amortization and Smoothing Policy Changes) and #200-013-14 (Employer Rate Impact Due to Changes in Actuarial Assumptions) that will result in increases in the required contribution rates in the future.

For complete updated inflation and actuarial assumptions, please contact PERS at the above-referenced address.

### **PERS Discount Rate Adjustment**

On March 14, 2012, the PERS Board voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.50%. As a result of such discount rate decrease, among other things, the amount of the City's required contributions to PERS increased beginning in Fiscal Year 2013-14, subject to other factors that also negatively or positively impact the City's required contributions.

A further decrease in the discount rate to 7.25% or 7.00% has previously been discussed by the PERS actuarial staff. However, no item is currently before the PERS board to adjust the discount rate and no timeline has been given for when or if the discount rate may be revisited in the future.

### **2012 Legislation Relating to Pension Reform: AB 340**

On September 12, 2012, the California Governor signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2012 ("PEPRA") and that also amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases.

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. If AB 340 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.

Local government employee associations, including all of the City's represented employees, will have a five-year window to negotiate compliance with the cost-sharing provisions of PEPRA through collective bargaining. Under PEPRA, if no deal is reached by January 1, 2018 which meets the terms set forth in PEPRA, a city, public agency or school district may force employees who entered the pension system prior to January 1, 2013 to pay one half of the normal costs of PERS pension benefits, but not to exceed 8% of pay for miscellaneous workers and 12% for public safety workers. To date, the City has reached agreements with all of its employees' bargaining units. [CONFIRM] For a further discussion of the City's bargaining units, see APPENDIX A — "INFORMATION REGARDING THE CITY OF OCEANSIDE — Retirement System."

Provisions in AB 340 will not likely have a material effect on the City's 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 unfunded actuarial accrued liability and potentially reduce City contribution levels in the long term.

For information regarding the funding status of the City's pension plans, see APPENDIX A — "INFORMATION REGARDING THE CITY OF OCEANSIDE — Retirement System."

**THE REFUNDING PLAN**

**General**

The Bonds are being issued to provide a portion of the moneys, together with certain funds on deposit with The Bank of New York Mellon Trust Company, N.A., acting as escrow agent (the "Escrow Agent"), to pay the interest due on the Prior Bonds through August 15, 2015 and to redeem the Prior Bonds at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Pursuant to the Trust Agreement, the City will deliver a portion of the proceeds of the Bonds to the Trustee to transfer to the Escrow Agent for deposit in an escrow fund (the "Escrow Fund") established under the Escrow Agreement, dated as of \_\_\_\_\_ 1, 2015, by and between the City and the Escrow Agent (the "Escrow Agreement"). Proceeds of the Bonds and other moneys held in the Escrow Fund to redeem the Prior Bonds will be held unvested and used to (i) pay the interest due on the Prior Bonds on [August 15, 2015] and (ii) redeem the Prior Bonds maturing on or after August 15, 2016 on [August 15, 2015] at a redemption price equal to the principal amount of the Prior Bonds, together with accrued interest to the redemption date, without premium. Amounts in the Escrow Fund will be irrevocably pledged to secure, when due, the payment of the principal of, and interest and premium due on the Prior Bonds.

**Verification**

Upon issuance of the Bonds, [Grant Thornton, LLP], as verification agent, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of amounts in the Escrow Fund to pay when due all interest with respect to the Prior Bonds on and prior to the redemption thereof and to pay the redemption price of the Prior Bonds when due.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of the Bonds are estimated to be applied as set forth below.

<b>Estimated Sources of Funds</b>	
Principal Amount of Bonds	\$ _____
 <b>Estimated Uses of Funds</b>	
Deposit to Escrow Fund	\$ _____
Costs of Issuance <sup>(1)</sup>	_____
Total Uses of Funds	\$ _____

<sup>(1)</sup> Includes Underwriter's discount, rating fees, legal fees, printing costs, trustee fees and other costs of issuance deposited in the Costs of Issuance Fund.

**ANNUAL DEBT SERVICE REQUIREMENTS**

The following table sets forth the amounts required to be made available for the payment of principal of the Bonds, at maturity or by mandatory sinking fund redemption, for the payment of interest on the Bonds, and for the total debt service on the Bonds.

**TABLE 1**

**CITY OF OCEANSIDE  
ANNUAL DEBT SERVICE ON THE BONDS**

<i>Year Ending August 15</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$	\$	\$
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>

**THE CITY**

The City is a charter city that was incorporated in 1888. The City currently has an estimated population of approximately 171,183 persons. For financial and demographic information regarding the City, see APPENDIX A — “INFORMATION REGARDING THE CITY OF OCEANSIDE.”

**STATE BUDGET INFORMATION**

**State Budget**

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the “DOF”), <http://www.dof.ca.gov>, under the heading “California Budget.” An impartial analysis of the budget is posted by the Legislative Analyst’s Office (the “LAO”) at <http://www.lao.ca.gov>. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, <http://www.treasurer.ca.gov>. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City can take no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these textual references to such Internet websites.

**Proposed Budget for State Fiscal Year 2015-16**

On January 9, 2015, the State Governor released his proposed budget for State fiscal year 2015-16 (the “Proposed Budget”). The following information is taken from the LAO’s overview of the Proposed Budget, dated January 13, 2015.

The Proposed Budget assumes, for State fiscal year 2014-15, total general fund revenues and transfers of approximately \$108 billion and authorizes total expenditures of approximately \$111.7 billion. The State is projected to end the 2014-15 fiscal year with a general fund surplus of approximately \$2.1 billion, composed of a balance of approximately \$452 million in the State's traditional budget reserve and balance of approximately \$1.6 billion in the Budget Stabilization Account (the "BSA"), the State basic reserve fund. For State fiscal year 2015-16, the Proposed Budget assumes total general fund revenues of approximately \$113.4 billion and authorizes expenditures of approximately \$113.3 billion. The State is projected to end State fiscal year 2015-16 fiscal year with general fund surplus of approximately \$3.4 billion, composed of a balance of approximately \$534 million in the budget reserve and an approximately \$2.8 billion in the BSA. The balance in the BSA includes a deposit of approximately \$1.2 billion mandated by the provisions of the State Constitution.

As a result of projected increases to State general fund revenues, as well as certain revisions to student attendance, the Proposed Budget includes revised estimates of the minimum funding guarantees for schools for State fiscal years 2013-14 and 2014-15. The Proposed Budget revises the State fiscal year 2013-14 minimum funding guarantee upward to approximately \$58.7 billion (an increase of approximately \$371 million from the estimate included in the State fiscal year 2014-15 budget) and revises the State fiscal year 2014-15 minimum funding guarantee upward to approximately \$63.2 billion (approximately \$2.3 billion higher than that included in the State fiscal year 2014-15 budget).

For State fiscal year 2015-16, the Proposed Budget sets the minimum funding guarantee at approximately \$65.7 billion, including approximately \$47 billion from the State general fund, and reflects an increase of approximately \$2.6 billion (or 4%) from the revised level for State fiscal year 2014-15. Despite the increase in the minimum guarantee, the State general fund share is only approximately \$371 million. A projected growth in available local property tax collections accounts for the balance, and results primarily from the Governor's assumption that the "Triple Flip" legislation, which diverts local property tax revenues from school districts and community colleges to local governments, will sunset. See the caption "Sales Taxes."

Significant proposals or adjustments set forth in the Proposed Budget affecting public agencies in the State include the following:

- Law Enforcement. The Proposed Budget proposes to continue a \$40 million general fund allocation to "front line" law enforcement activities.. The Board of State and Community Corrections allocates funds to individual cities acting as the fiduciary agent within each county receiving the funds.

- Transportation. The Proposed Budget includes total funding of approximately \$15.8 billion (approximately \$84 million from the general fund and \$15.7 billion from other funds) for all programs administered within the State Transportation Agency. In addition, the shared revenues budget allocates over \$1.4 billion in fuel excise tax to cities and counties for local streets and roads.

- Elimination of Redevelopment Agencies. The Proposed 2014-15 Budget anticipates that in State fiscal years 2014-15 and 2015-16 combined, cities will receive approximately \$580 million, approximately \$660 million, and special districts approximately \$200 million.

- Property Taxes. The Proposed Budget anticipates ongoing property tax revenues of more than \$900 million annually to be distributed to cities, counties, and special districts that can be used by local governments to fund police, fire, and other critical public services.

- State Mandate Reimbursements. The Proposed Budget continues the suspension of most mandates not related to law enforcement or property taxes. After satisfying the State Constitutional funding guarantee, additional revenues of up to \$800 million are proposed to pay down the remainder of the State's pre-2004 mandate debt. The Proposed Budget estimates that a trigger mechanism will result in a \$533 million

payment toward this mandate debt. These funds will provide counties, cities, and special districts with general purpose revenue.

- Deferred Maintenance. The Proposed Budget includes approximately \$478 million (approximately \$125 million from the general fund) for critical deferred maintenance at universities, community colleges and in State parks, prisons, State hospitals and other State facilities.

- Education. The Proposed Budget provides over \$1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment, and apprenticeships intended to provide training and education to workers in California.

### **Potential Impact of State of California Financial Condition on the City**

The State has experienced significant financial stress in recent years, with budget shortfalls in the several billions of dollars. There can be no assurance that, as a result of such State financial stress, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. Although the State is not a significant source of City revenues, no prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. There can be no assurance that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

### **Redevelopment Dissolution**

*General.* On December 29, 2011, the State Supreme Court upheld Assembly Bill 1x26 (“AB 1x26”), which dissolved redevelopment agencies in the State. The effect of AB 1x26 upon the City is the termination of the Commission’s redevelopment functions and the transfer of such functions to a successor agency (the City, referred to in this context as the “Successor Agency”) tasked with winding down the Commission’s redevelopment activities. Under AB 1x26, the Successor Agency cannot enter into new redevelopment projects or obligations and its assets can be used only to pay enforceable obligations in existence in mid-2011, when AB 1x26 was signed by the Governor. In addition, the Successor Agency will receive tax increment revenues in amounts that are sufficient to pay 100% (but no greater amount) of such enforceable obligations until such obligations are paid in full, at which time the Successor Agency will be dissolved. Certain tax revenues formerly allocable to the Commission will continue to be available to the Successor Agency to pay certain obligations, and a portion of such revenues may be redirected to other taxing agencies, such as the County, school districts and the City. The Successor Agency’s activities are subject to review by an oversight board established under AB 1x26.

On June 27, 2012, the Governor signed Assembly Bill 1484 (“AB 1484”), which made certain amendments to AB 1x26. Under AB 1484, the County Auditor-Controller, the DOF and the State Controller may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by AB 1x26 and AB 1484, and if such funds are not returned within 60 days, they may be recovered through an offset of sales and use tax or property tax allocations to the local agency, which, in the case of the Successor Agency, is the City.

*Impact on the City.* Significant provisions of AB 1x26 and AB 1484 and implementing actions of affected parties, including the Successor Agency, the oversight board, the County and the DOF, may be subject to legal challenge, statutory or administrative changes and other clarifications which could affect the impact of the dissolution of redevelopment on the City and its General Fund. The full extent of the impact of the implementation of AB 1x26 and AB 1484 on the City’s General Fund is unknown at this time. While certain administrative costs previously charged to the Commission by the General Fund will no longer be supported by the Successor Agency, certain property tax revenues formerly allocated to the Commission will now be received by the City’s General Fund. [STATUS OF AGENCY LOANS]

## **Future State Budgets**

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in future years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

## **RISK FACTORS**

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Bonds. Additionally, there can be no assurance that other risk factors will not become evident at any future time.

### **No Tax Pledge**

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY'S GENERAL FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALDIATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

### **No Limit on Additional General Fund Obligations**

The City has other obligations payable from its General Fund. The City has the ability to enter into other obligations which would constitute additional charges against its general revenues. To the extent that such additional obligations are incurred by the City, the funds available to make payments on the Bonds may be decreased.

### **Pension Benefit Liability**

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable retirement system laws, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of the City's pension system. Any of these factors could give rise to additional liability of the City to its pension system as a result of which the City would be obligated to make additional payments to its pension system over the amortization schedule for full funding of its obligation to its pension system. See "PERS PENSION PLANS" above.

## **Assessed Value of Taxable Property; Delinquent Payment of Property Taxes**

Property taxes account for a significant portion of the City's General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, ongoing drought, toxic dumping, coastal erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets as has been experienced recently. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for taxes. Section 2(b) of Article XIII A of the California Constitution and Section 51 of the Revenue and Taxation Code, which follow from "Proposition 8," require the County assessor to annually enroll either a property's adjusted base year value (its "Proposition 13 Value") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, that lower value is referred to as its "Proposition 8 Value."

Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds its Proposition 13 Value attributable to a piece of property (adjusted for inflation), the County assessor reinstates the Proposition 13 Value.

Decreases in the aggregate value of taxable property within the City resulting from natural disaster or other calamity, reclassification by ownership or use, or as a result of the implementation of Proposition 8 all may have an adverse impact on the General Fund revenues available to make debt service payments on the Bonds.

See "– Seismic, Topographic and Climatic Conditions" and "APPENDIX A – INFORMATION REGARDING THE CITY OF OCEANSIDE"

## **Impact of State Budget**

**State Budget.** The State of California has experienced significant financial and budgetary stress in recent years. State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Each State budget contains a number of measures which impact the City's finances. See "STATE BUDGET INFORMATION" herein.

## **Litigation**

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents (see Appendix A for further information), the City cannot predict what types of liabilities may arise in the future. See also "LITIGATION."

### **Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement may be limited by and are subject to the provisions of federal bankruptcy laws. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Trust Agreement. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan (the "Plan") for the adjustment of the City's debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

Recent bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit have brought scrutiny to Pension Obligation Bonds. Specifically, in the Stockton bankruptcy the Court found that PERS was an unsecured creditor of the city with a claim on parity with those of other unsecured creditors. A variety of events including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Owners to receive payments on the Bonds in the event the City files for bankruptcy.

The opinions of counsel, including Bond Counsel, delivered in connection with the execution and delivery of the Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

### **State Law Limitations on Appropriations**

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the California Constitution" herein.

## **Change in Law**

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, or that the City Council (with voter approval) will not enact amendments to the City's Charter, in a manner that could result in a reduction of the City's revenues. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIIC and Article XIID of the State Constitution."

## **Secondary Market Risk**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **Seismic, Topographic and Climatic Conditions**

All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the City due to the highly active seismic region and the proximity of fault zones, which could influence the entire southern coastal portion of the State. However, no major earthquake has caused substantial damage to the community.

An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake can easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

According to recent geotechnical reports, the City is not within an Alquist-Priolo Earthquake Fault Zone. 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. An earthquake on this fault, or in any other location near the City, would be particularly damaging to residential buildings, especially to those of older wooden or unreinforced masonry construction, or to mobile homes.

## **Hazardous Substances**

An environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of any hazardous substance that would limit the beneficial use of a property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act" is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as

is the seller. Such reduction could adversely impact the property tax revenues received by the City and deposited in the General Fund, which could significantly and adversely affect the operations and finances of the City.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the City for the payment thereof. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 62, 111, 218, 1A and 22, and certain other provisions of law discussed below are included in this Official Statement to describe the potential effect of these Constitutional and statutory measures on the ability of the City to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the City to levy taxes for payment of the Bonds. The tax levied by the City for payment of the Bonds was approved by the City's voters in compliance with Article XIII A, the Law and all other applicable laws.

### **Article XIII A of the State Constitution**

On June 6, 1978, State voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service: (i) on indebtedness approved by the voters prior to December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 1, 1978, for the acquisition or improvement of real property; or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A 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, including a general economic downturn, 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.

### **Legislation Implementing Article XIII A**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. 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 counties and distributed according to a formula among taxing agencies.

Increases in 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 their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full cash value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

## **Article XIII B of the State Constitution**

In addition to the limits that Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B which effectively limits the amount of such revenues that such entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues and the investment proceeds thereof, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized as of October 1, 1979, or subsequently authorized by the voters (such as the Bonds), appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each local government's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The City's appropriations have never exceeded the limitation on appropriations under Article XIII B.

## **Articles XIII C and XIII D of the State Constitution**

On November 5, 1996, State voters approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments and property-related fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs, such as hearings and stricter and more individualized benefit requirements and findings. These provisions include, among other things: (i) a prohibition against assessments which exceed the reasonable cost of the proportional

special benefit conferred on a parcel; (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the City's General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support such activities.

Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund.

### **Proposition 62**

Proposition 62 was adopted by the voters at the November 4, 1986, general election and: (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after July 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995 in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of Proposition 62.

### **Proposition 1A**

Proposition 1A, proposed by the State Legislature in connection with the State's fiscal year 2004-05 budget, approved by the voters in November 2004 and generally effective in State fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy

a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in State fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of ten fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the State-wide local sales tax. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

#### **Proposition 22**

Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State on November 2, 2010. Proposition 22 eliminates or reduces the State’s authority: (i) to temporarily shift property taxes from cities, counties and special districts to schools; (ii) to use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments); (iii) to redirect property tax increment from redevelopment agencies to any other local government; (iv) to use State fuel tax revenues to pay debt service on State transportation bonds; or (v) to borrow or change the distribution of State fuel tax revenues. In the California Supreme Court case affirming the dissolution of redevelopment agencies discussed in Appendix A, the Court determined that Proposition 22 did not prevent the State Legislature from terminating redevelopment agencies. See “STATE BUDGET INFORMATION – Redevelopment Dissolution.”

#### **Proposition 26**

On November 2, 2010, State voters also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) 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; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

### **Possible Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Propositions 218, 111, 62, 1A 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

### **TAX MATTERS**

In the opinion of 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 on the 2015B Bonds is exempt from State of California personal income tax.

With certain exceptions, the difference between the issue price of a 2015B Bond (the first price at which a substantial amount of the 2015B Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2015B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a 2015B Bond will increase the Beneficial Owner's basis in the 2015B Bond. Beneficial Owners of the 2015B Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the 2015B Bonds.

The tax discussion set forth above is included for general information only and may not be applicable depending upon a 2015B Bond Owner's particular situation. The ownership and disposal of the 2015B Bonds and the accrual or receipt of interest on the 2015B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. **BEFORE PURCHASING ANY OF THE 2015B BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE 2015B BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.**

A complete copy of the proposed opinion of Bond Counsel is set forth in APPENDIX D.

### **VALIDATION**

On April 18, 2005, the City, acting pursuant to the provisions of Section 860 et seq. of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California in and for the County of San Diego seeking judicial validation of the transactions relating to the PERS Contract and the Bonds and certain other matters entitled *City of Oceanside v. All Persons* (Case No. GIN 043808). On June 16, 2005, the court entered a default judgment to the effect, among other things, that the PERS Contract, the Prior Bonds, any refunding bonds relating thereto, including the Bonds, and the Trust Agreement are valid, legal and binding obligations of the City and are in conformity with all applicable provisions of law and all applicable provisions of the Retirement Law and the California Constitution. Pursuant to Section 870 of the California Code of Civil Procedure and Rule 2(a) of the California Rules of Court, the last day to timely file a notice of appeal to this judgment was July 23, 2005. On July 23, 2005, the judgment became binding and

conclusive in accordance with California law. The City is unaware of any threatened challenge to this judgment. In issuing its approving opinion, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, will rely, among other things, upon the above-described judgment.

#### **CERTAIN LEGAL MATTERS**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX D hereto. Certain additional matters will be passed upon by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. Bond Counsel has not undertaken any responsibility to the owners of the Bonds for the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds, and expresses no opinion relating thereto.

#### **LITIGATION**

To the best knowledge of the City there is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution and delivery or the issuance of the Bonds, or the execution and delivery of the Trust Agreement, or in any way contesting or affecting the validity of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

There are a number of other lawsuits and claims pending against the City. In the opinion of the City, such other lawsuits and claims presently pending will not have a material adverse affect on the ability of the City to pay the principal of and interest on the Bonds.

#### **RATING**

Standard & Poor's Ratings Service ("S&P") is expected to assign a rating of "\_\_\_" to the Bonds. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds. Neither the City nor the Underwriter has undertaken any responsibility either to bring to the attention of the owners of the Bonds a proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal.

#### **FINANCIAL STATEMENTS OF THE CITY**

Included herein as Appendix B are the audited financial statements of the City as of and for the year ended June 30, 2014, together with the report thereon dated December 2, 2014 of Lance, Soll & Lunghard, LLP, Brea, California (the "Auditor"). Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 2, 2014.

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Bonds to provide annually certain financial information and operating data relating to the Bonds and the City (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the City's undertaking with respect to the Annual Report and certain enumerated events, see APPENDIX E—"FORM OF CONTINUING DISCLOSURE AGREEMENT." The Annual Report is to be provided by the City not later than [February 1] after the end of the City's fiscal year, commencing with the report for the 2014-15 fiscal year. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). Within the last five years, the City has on a few occasions failed to comply in certain material respects with its previous undertakings with regard to said Rule to provide annual reports or notices of material events. Specifically, such failures include: [TO BE UPDATED].

## UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, as Underwriter. The Underwriter has agreed to purchase the Bonds at a purchase price of \$ \_\_\_\_\_ (representing the principal amount of the Bonds less an underwriting discount of \$ \_\_\_\_\_). A Bond Purchase Agreement with respect to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to certain conditions contained in such Bond Purchase Agreement.

## FINANCIAL ADVISOR

The City has retained CSG Advisors Incorporated, San Francisco, California, as Financial Advisor for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds and the Trust Agreement and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies of the Trust Agreement, in reasonable quantity, may be obtained during the offering period from the Underwriter and thereafter upon request to the principal corporate trust office of the Trustee. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the City. This Official Statement is not to be construed as a contract or an agreement between the City and the purchasers or owners of any of the Bonds.

CITY OF OCEANSIDE

By: \_\_\_\_\_  
City Manager

**APPENDIX A**  
**INFORMATION REGARDING THE CITY OF OCEANSIDE**

[TO COME]

**APPENDIX B**

**THE CITY OF OCEANSIDE AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT**

**APPENDIX D**

**FORM OF BOND COUNSEL OPINION**

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

[TO COME]

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

[TO COME]

## APPENDIX F

### BOOK-ENTRY SYSTEM

*The information in this section concerning DTC and DTC's book entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 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 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 City 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City 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 City, 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 City 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 Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bond by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bond are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered Bond to the Trustee's DTC account.

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

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

THE TRUSTEE, AS LONG AS A BOOK ENTRY ONLY SYSTEM IS USED FOR THE 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 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

ATTACHMENT 3

DOCUMENT NO. \_\_\_\_\_

**FIRST SUPPLEMENTAL TRUST AGREEMENT**

**by and between**

**THE CITY OF OCEANSIDE**

**and**

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

**Dated as of \_\_\_\_\_ 1, 2015**

**Relating to**

**\$ \_\_\_\_\_  
CITY OF OCEANSIDE  
TAXABLE PENSION OBLIGATION REFUNDING BONDS  
SERIES 2015**

## FIRST SUPPLEMENTAL TRUST AGREEMENT

THIS FIRST SUPPLEMENTAL TRUST AGREEMENT dated as of \_\_\_\_\_ 1, 2015 (the “First Supplement”), by and between the City of Oceanside (the “City”) and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), governs the terms of the Taxable Pension Obligation Refunding Bonds, Series 2015, which are being issued as Additional Bonds in accordance with the Trust Agreement (the “Original Trust Agreement”) dated as of August 1, 2005, by and between the City and the Trustee, and supplements the Original Trust Agreement. The Original Trust Agreement and the First Supplement are hereinafter collectively referred to as the “Trust Agreement.”

### RECITALS:

WHEREAS, the City previously issued its Taxable Pension Obligation Bonds, Series 2005 (the “2005 Bonds”), pursuant to the Original Trust Agreement for the purpose of refunding the City’s then obligations to PERS evidenced by the PERS Contract and to pay the City’s then Unfunded Liability;

WHEREAS, the City has determined to issue its Taxable Pension Obligation Refunding Bonds, Series 2015 (the “2015 Bonds”) as Additional Bonds pursuant to the Original Trust Agreement for the purpose of refunding all of the outstanding 2005 Bonds; and

WHEREAS, the City has determined all requirements of the Refunding Law for the issuance of the 2015 Bonds as Additional Bonds under the terms of the Original Trust Agreement have been satisfied;

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the 2015 Bonds are to be issued, and in consideration of the promises and of the mutual covenants contained herein and of the purchase and acceptance of the 2015 Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the City does hereby covenant and agree, for the benefit of the Beneficial Owners of the 2005 Bonds, the 2015 Bonds and any Additional Bonds (as defined in the Original Trust Agreement) which may be issued from time to time, as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.1. Definitions.** All capitalized terms not otherwise defined herein shall have the meaning set forth in the Original Trust Agreement. The following definitions set forth in Section 1.01 of the Original Trust Agreement are revised to mean the following with respect to the 2015 Bonds:

“Bonds” means the 2015 Bonds and any Additional Bonds issued pursuant to the Trust Agreement.

“2015 Bonds” means the City of Oceanside Taxable Pension Obligation Refunding Bonds, Series 2015.

“2015 Bonds Delivery Date” means the date on which the 2015 Bonds were issued.

**ARTICLE II**

**GENERAL AUTHORIZATION AND BOND TERMS**

**Section 2.1. Amount, Issuance, Purpose and Nature of 2015 Bonds.** Under and pursuant to the Original Trust Agreement, the 2015 Bonds in the aggregate principal amount of \$\_\_\_\_\_ shall be issued as Additional Bonds governed by the terms of the Original Trust Agreement, as supplemented by this First Supplement, for the purpose of refunding the 2005 Bonds and paying the Costs of Issuance of the 2015 Bonds.

**Section 2.2. Description of Bonds; Interest Rates.** The 2015 Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof within a single maturity. The 2015 Bonds shall be numbered as determined by the Trustee.

The 2015 Bonds shall be designated “CITY OF OCEANSIDE TAXABLE PENSION OBLIGATION REFUNDING BONDS, SERIES 2015.” The 2015 Bonds shall be dated as of the 2015 Bonds Delivery Date and shall mature and be payable on August 15 in the years and in the aggregate principal amounts and shall be subject to and shall bear interest at the rates set forth in the table below payable on \_\_\_\_\_ and each Interest Payment Date thereafter:

<i>Maturity Date</i> <i>(August 15)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
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**Section 2.3. Form of 2015 Bonds; Execution and Authentication.** The 2015 Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which forms are hereby approved and adopted as the forms of such 2015 Bonds and of the certificate of authentication.

Only the 2015 Bonds as shall bear thereon such certificate of authentication in the form set forth in Exhibit A hereto shall be entitled to any right or benefit under the Trust Agreement, and no 2015 Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been manually executed by the Trustee.

**Section 2.4. Conditions to Issuance of 2015 Bonds.** The 2015 Bonds shall not be issued unless and until the conditions for the issuance of the 2015 Bonds as Additional Bonds pursuant to Section 2.07 of the Original Trust Agreement shall have been satisfied.

### ARTICLE III

#### APPLICATION OF PROCEEDS OF 2015 BONDS

**Section 3.1. Application of Proceeds of Sale of 2015 Bonds**

The net proceeds of the sale of the 2015 Bonds shall be received by the Trustee on behalf of the City and deposited and transferred as follows:

(a) \$ \_\_\_\_\_ shall be transferred to the Costs of Issuance Fund to pay the Costs of Issuance; and

(b) \$ \_\_\_\_\_ shall be transferred to The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank") under that certain Escrow Agreement, dated as of \_\_\_\_\_ 1, 2015, by and between the City and the Escrow Bank.

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

### ARTICLE IV

#### REDEMPTION OF 2015 BONDS

**Section 4.1. Redemption of 2015 Bonds. Optional Redemption.** The 2015 Bonds maturing on or after [August 15, 2026] may be redeemed, at the option of the City from any source of funds on any date on or after [August 15, 2025], in whole, or in part from such maturities as are selected by the City and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

### ARTICLE V

#### MISCELLANEOUS

**Section 5.1. Provisions of Original Trust Agreement in Effect.** Except as expressly modified herein, all of the provisions of the Original Trust Agreement shall remain in full force and effect.

**Section 5.2. Partial Invalidity.** If any section, paragraph, sentence, clause or phrase of this First Supplement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this First Supplement. The City hereby declares that it would have entered into this First Supplement and each and every other Section, paragraph,

sentence, clause or phrase hereof and authorized the issuance of the 2015 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this First Supplement may be held illegal, invalid or unenforceable.

**Section 5.3. Execution in Counterparts.** This First Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 5.4. Governing Law.** This First Supplement shall be construed and governed in accordance with the laws of the State of California applicable to contracts made and performed in such state.

IN WITNESS WHEREOF, THE CITY OF OCEANSIDE has caused this First Supplemental Trust Agreement to be signed by an Authorized City Representative and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trust created hereunder and has caused this First Supplemental Trust Agreement to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

CITY OF OCEANSIDE

By: \_\_\_\_\_  
Mayor of the City of Oceanside

ATTEST:

\_\_\_\_\_  
City Clerk of the City of Oceanside

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

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**FORM OF 2015 BOND**

*Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City of Oceanside or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

No. \_\_\_\_\_

\$ \_\_\_\_\_

**CITY OF OCEANSIDE  
TAXABLE PENSION OBLIGATION REFUNDING BONDS,  
SERIES 2015**

*Neither the faith and credit nor the taxing power of the State of California or any public agency is pledged to the payment of the principal of, or interest on, this Bond.*

<i>Maturity</i>	<i>Interest Rate Per Annum</i>	<i>Dated Date</i>	<i>CUSIP NO.</i>
August 15, _____	_____ %	August 25, 2005	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ AND NO/100 DOLLARS

**THE CITY OF OCEANSIDE**, a municipal corporation and charter city duly organized and validly existing under and pursuant to the Constitution and the laws of the State of California and its charter, for value received, hereby promises to pay to the registered owner named above or registered assigns, on the maturity date specified above, the principal sum specified above together with interest on such principal sum at the rates determined as herein provided on each Interest Payment Date (hereinafter defined) from the Interest Payment Date next preceding the date of authentication and delivery thereof, unless (i) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such Interest Payment Date; or (ii) it is authenticated prior to the close of business on the first Record Date, in which event interest thereon shall be payable from Dated Date; provided, however, that if at the time of authentication of any Bond interest thereon is in default, interest thereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the Dated Date. The principal hereof and premium, if any, hereon are payable when due upon presentation hereof at the

Principal Office of The Bank of New York Mellon Trust Company, N.A., as trustee (together with any successor as trustee under the Trust Agreement (hereinafter defined), the “**Trustee**”), in lawful money of the United States of America.

This Bond is one of a duly authorized issue of City of Oceanside Taxable Pension Obligation Refunding Bonds, Series 2015 (the “**Bonds**”) of the designation indicated on the face hereof. Said authorized issue of Bonds is limited in aggregate principal amount as provided in the Trust Agreement and consists or may consist of one or more series of varying denominations, dates, maturities, interest rates and other provisions, as provided in the Trust Agreement, all issued and to be issued pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570 of Chapter 3 of Division 2 of Title 5 of the California Government Code (the “**Refunding Law**”). This Bond is issued pursuant to the Trust Agreement dated as of August 1, 2005, as amended by the First Supplemental Trust Agreement dated as of \_\_\_\_\_ 1, 2015, both by and between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as trustee, providing for the issuance of the Bonds and setting forth the terms and authorizing the issuance of the Bonds (said Trust Agreement as amended, supplemented or otherwise modified from time to time being the “**Trust Agreement**”). Reference is hereby made to the Trust Agreement and to the Refunding Law for a description of the terms on which the Bonds are issued and to be issued, and the rights of the registered owners of the Bonds; and all the terms of the Trust Agreement and the Refunding Law are hereby incorporated herein and constitute a contract between the City and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. All capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Trust Agreement.

The City is required under the Trust Agreement to make payments on the Bonds from any source of legally available funds. The City has covenanted to make the necessary annual appropriations for such purpose.

The obligation of the City to make payments on the Bonds does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

This Bond is one of the Bonds described in the Trust Agreement.

### **Interest on Bonds**

Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds or the principal portion thereof called for redemption will cease to bear interest after the specified redemption date, provided that notice has been given pursuant to the Trust Agreement and sufficient funds for redemption are on deposit at the place of payment on the redemption date.

### **Redemption of Bonds**

**Optional Redemption.** The Bonds maturing on or after [August 15, 2026] may be redeemed at the option of the City from any source of funds on any date on or after [August 15, 2025] in whole or in part from such maturities as are selected by the City and by lot within a maturity at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

### **Certain Defined Terms**

“**Interest Payment Date**” means August 15 and February 15 of each year, commencing \_\_\_\_\_.

“**Record Date**” means the first Business Day of each calendar month in which there is an Interest Payment Date.

### **Other Provisions**

The rights and obligations of the City and of the holders and registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Trust Agreement, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of the Bonds.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California, and that this Bond, is within every debt and other limit prescribed by the Constitution and the statutes of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Trust Agreement or the Refunding Law.

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

**IN WITNESS WHEREOF, THE CITY OF OCEANSIDE**, a municipal corporation and charter city duly organized and validly existing under and pursuant to the Constitution and the laws of the State of California and its charter, has caused this Bond to be executed in its name and on its behalf by the Mayor of the City Council, and attested by the City Clerk, and this Bond to be dated as of the Dated Date.

**CITY OF OCEANSIDE**

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

ATTEST:

\_\_\_\_\_  
City Clerk

**[FORM OF TRUSTEE'S CERTIFICATE  
OF AUTHENTICATION AND REGISTRATION]**

This is one of the 2015 Bonds described in the within-defined Trust Agreement.

Dated: \_\_\_\_\_, 2015

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

By: \_\_\_\_\_  
Its: Authorized Signatory

**[FORM OF LEGAL OPINION]**

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

\_\_\_\_\_  
City Clerk of the City of Oceanside,

**[FORM OF ASSIGNMENT]**

For value received the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_  
whose tax identification number is \_\_\_\_\_,  
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

\_\_\_\_\_  
attorney to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature guaranteed: \_\_\_\_\_

\_\_\_\_\_  
NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

NOTE: The signatures(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.

## ATTACHMENT 4

### ESCROW AGREEMENT

THIS ESCROW AGREEMENT dated as of \_\_\_\_\_ 1, 2015 (the "Agreement"), by and between the City of Oceanside (the "City") and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), is entered into in accordance with Resolution No. \_\_\_\_\_ of the City adopted on \_\_\_\_\_, 2015 and a Trust Agreement dated as of August 1, 2005 (the "Trust Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., successor-in-interest to The Bank of New York Trust Company, N.A. (the "Trustee"), to refund all of the City's outstanding Taxable Pension Obligation Bonds, Series 2005 (the "Refunded Bonds").

#### WITNESSETH:

WHEREAS, the City previously executed and delivered the Refunded Bonds pursuant to the Trust Agreement;

WHEREAS, the City has determined that a portion of the proceeds of the \$ \_\_\_\_\_ aggregate principal amount of the City of Oceanside Taxable Pension Obligation Refunding Bonds, Series 2015 (the "2015 Bonds") issued pursuant to the Trust Agreement and a First Supplemental Trust Agreement dated as of \_\_\_\_\_ 1, 2015, by and between the City and the Trustee, together with certain other moneys, will be used to provide the funds to pay on August 15, 2015 the regularly scheduled payment of interest on the Refunded Bonds then due, and to redeem on August 15, 2015 the principal of the Refunded Bonds maturing after August 15, 2015 without premium (the "Redemption Price"); and

WHEREAS, the moneys deposited with the Escrow Agent will be sufficient, along with certain other moneys deposited with the Escrow Agent at the same time pursuant to this Agreement, to redeem and discharge the Refunded Bonds;

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 2015 Bonds in the Escrow Fund established hereunder. The City hereby further instructs the Trustee to transfer to the Escrow Agent the amount of \$ \_\_\_\_\_ constituting moneys on deposit in certain funds and accounts relating to the Refunded Bonds established under the Trust Agreement along with certain other moneys held by the City and instructs the Escrow Agent to deposit such amount in the Escrow Fund established hereunder. The Escrow Agent shall hold all such amounts in cash in an 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 "Escrow Fund" and to be applied solely as provided in this Agreement.

**SECTION 2. Sufficiency of Moneys.** The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to deposit such moneys in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of [Grant Thornton, LLP] (the "Verification Agent"), that the cash on deposit in the Escrow Fund will be sufficient to pay the

regularly scheduled payment of interest due on the Refunded Bonds on August 15, 2015, and to pay on August 15, 2015 the Redemption Price of the Refunded Bonds maturing after August 15, 2015.

SECTION 3. Payment of Refunded Bonds.

(a) Payment. From the moneys on deposit in the Escrow Fund, the Escrow Agent shall, on August 15, 2015, apply the amounts on deposit in the Escrow Fund to pay the regularly scheduled payment of interest on the Refunded Bonds due on August 15, 2015, and pay on August 15, 2015 the Redemption Price of the Refunded Bonds maturing after August 15, 2015. Upon the complete redemption of the Refunded Bonds, the Escrow Agent shall close the Escrow Fund and transfer any remaining proceeds therein to the City.

(b) Irrevocable Instructions to Provide Notice. The Escrow Agent is hereby irrevocably instructed to provide the notice of redemption required by Section 4.01 of the Trust Agreement. The City hereby further irrevocably instructs the Escrow Agent to mail a notice of defeasance of the Refunded Bonds in substantially the form attached hereto as Exhibit A.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for two years after August 15, 2015 shall be repaid by the Escrow Agent to the City.

(d) Priority of Payments. The owners of the Refunded Bonds shall have a first and exclusive lien on all moneys in the Escrow Fund until such moneys are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the Trust Agreement, upon deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof all obligations of the City under the Trust Agreement with respect to the Refunded Bonds shall cease, terminate and become void except as set forth in the Trust Agreement.

SECTION 4. Application of Certain Terms of the Trust Agreement. All of the terms of the Trust Agreement relating to the making of payments of principal of and interest on the Refunded Bonds and relating to the exchange or transfer of the Refunded Bonds are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Article XIII of the Trust Agreement relating to the resignation and removal and merger of the Trustee under the 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 5. 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 6. Escrow Agent's Authority to Make Investments. 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 held hereunder.

SECTION 7. 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 Escrow Fund, the acceptance of the funds deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys 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 and the resignation or removal of the Escrow Agent.

**SECTION 8. 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 Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of the moneys in the Escrow Fund to pay or redeem the Refunded Bonds, 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 Bonds 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.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a

subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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

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

SECTION 9. Amendments. This Agreement is made for the benefit of the City and the owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the City; provided, however, that the City and the Escrow Agent may, without the consent of, or notice to, such owners, amend this 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 Act (as defined in the Trust Agreement), or the 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 Bonds, 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 Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 10. [Reserved.]

SECTION 11. 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 Bonds 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 3(c) of this Agreement.

SECTION 12. 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 Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 13. 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 14. 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 15. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 16. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys in the 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 17. 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 of Oceanside 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).

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

**EXHIBIT A**

**NOTICE OF DEFEASANCE**

**CITY OF OCEANSIDE  
TAXABLE PENSION OBLIGATION BONDS, SERIES 2005**

BASE CUSIP<sup>†</sup> NO. \_\_\_\_\_

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Bonds (as further defined below, the "Refunded Bonds"), of the City of Oceanside (the "City") that the City has deposited with The Bank of New York Mellon Trust Company, N.A., successor-in-interest to The Bank of New York Trust Company, N.A., as trustee (the "Trustee") under the Trust Agreement dated as of August 1, 2005 (the "Trust Agreement"), cash which will provide moneys sufficient to pay on August 15, 2015 the regularly scheduled payment of interest then due on the Refunded Bonds, and to redeem on August 15, 2015, the principal of the Refunded Bonds maturing after August 15, 2015.

The Refunded Bonds to be defeased are as follows:

<i>CUSIP<sup>†</sup></i>	<i>Maturity (August 15)</i>	<i>Rate</i>	<i>Amount</i>
		%	\$

In accordance with the Trust Agreement, the Refunded Bonds are deemed to have been paid in accordance with Section 11.01 thereof and the obligations of the City under the 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 \_\_\_\_\_, 2015.

<sup>†</sup> Copyright 2014, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Trustee guarantees the accuracy of the CUSIP data.

ATTACHMENT 5

\$ \_\_\_\_\_  
**CITY OF OCEANSIDE**  
**TAXABLE PENSION OBLIGATION REFUNDING BONDS**  
**SERIES 2015**

**BOND PURCHASE CONTRACT**

\_\_\_\_\_, 2015

City of Oceanside  
300 North Coast Highway  
Oceanside, California 92054

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the "Underwriter") offers to enter into this Bond Purchase Contract (the "Purchase Contract") with the City of Oceanside (the "City"), which, upon your acceptance hereof, will be binding upon the City and the Underwriter. This offer is made subject to the written acceptance of this Purchase Contract by the City and delivery of such acceptance to us at our office specified below prior to 11:59 p.m., California Time, on the date hereof, and the conditions set forth herein. Capitalized terms used herein and not otherwise defined will have the meanings given such terms in the Official Statement described below.

The Director of Finance or other Authorized City Officer shall execute this Purchase Contract. The term "Authorized City Officer" shall include, but not be limited to, the Mayor, the City Manager, the Deputy City Manager, the Director of Finance, the Treasury Manager, or designees thereof.

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the City for offering to the public, and the City hereby agrees to cause the Trustee (defined below) to authenticate and deliver to the Underwriter, all (but not less than all) of the \$ \_\_\_\_\_ aggregate principal amount of the City of Oceanside Taxable Pension Obligation Refunding Bonds Series 2015 (the "Bonds"). The Bonds will be purchased at a price of \$ \_\_\_\_\_, being the principal amount of the Bonds, less an Underwriter's discount of \$ \_\_\_\_\_. The Bonds shall bear interest at the rates, and shall mature in the years shown on Exhibit A hereto, which is incorporated herein by this reference.

The Bonds shall be issued pursuant to pursuant to Articles 10 and 11 (commencing with section 53570) of Chapter 3 of Division 2 of Title 5 of the California

Government Code, and a First Supplemental Trust Agreement dated as of \_\_\_\_\_ 1, 2015 (the "Supplemental Trust Agreement"), between the City and The Bank of New York Mellon Trust Company, N. A., as trustee (the "Trustee"), supplementing a Trust Agreement (together with the Supplemental Trust Agreement, the "Trust Agreement") dated as of August 1, 2005, between the City and the Trustee.

The proceeds of the Bonds will be used to (i) refund the City's outstanding Taxable Pension Obligation Bonds , Series 2005 ( the "Prior Bonds") and (ii) pay the costs of issuing the Bonds. The Prior Bonds were issued to pay the the City's obligations to the California Public Employees' Retirement System ("PERS") evidenced by a contract between the Board of Administration of PERS and the City Council of the City, effective January 1, 1945 as amended, (the "PERS Contract").

The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering price or prices (or yields) set forth on Exhibit A attached hereto and made a part hereof; provided, however, the Underwriter reserves the right to change such initial public offering price as the Underwriter deems necessary or desirable, in its sole discretion in connection with the marketing of the Bonds, and to sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or higher than the yields set forth in the Official Statement. The Underwriter also reserves the right (a) to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market, and (b) to discontinue such stabilizing, if commenced, at any time. A "bona fide public offering" shall include an offering to institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

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 principal and is not acting as Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and has not assumed a fiduciary responsibility in favor of the City with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the City on other matters); (iii) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; (iv) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate; (v) the Underwriter has financial interests that may differ from and be adverse to those of the City; and (vi) the Underwriter has provided the City with certain disclosures required under the rules of the Municipal Securities Rulemaking Board (the "MSRB").

The City hereby acknowledges receipt from the Underwriter of disclosures required by the MSRB Rule G-17, relating to disclosures concerning the Underwriter's

role in the transaction, disclosures concerning the Underwriter's compensation, conflict disclosures, if any, and disclosures concerning complex municipal securities financing, if any.

2. The City has authorized the Underwriter to use and distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement dated \_\_\_\_\_, 2015 relating to the Bonds, which, together with the cover page and all appendices thereto, is herein called the "Preliminary Official Statement." The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement. The City represents that it deems the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest or accretion rate(s), reoffering yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as permitted pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

The Underwriter hereby agrees to deliver a copy of the Official Statement to the MSRB through the Electronic Municipal Marketplace Access website of the MSRB on or before the Closing Date and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Bonds, including, without limitation, MSRB Rule G-32 and the Rule. The City agrees to deliver to the Underwriter as many copies of the Official Statement as the Underwriter will reasonably request as necessary to comply with paragraph (b)(4) of the Rule. The City agrees to deliver the final Official Statement within seven business days after the execution hereof, or such earlier date identified by the Underwriter to be necessary to allow the Underwriter to meet its obligations under the Rule and Rule G-32 of the MSRB.3. At 8:00 a.m., California Time, on \_\_\_\_\_, 2015, or at such other time or on such other date as shall have been mutually agreed upon by you and us (the "Closing Date"), you will deliver to us, through the facilities of The Depository Trust Company ("DTC") in New York, New York, or at such other place as we may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Stradling Yocca Carlson & Rauth, A Professional Corporation, as bond counsel ("Bond Counsel"), in Newport Beach, California, the other documents set forth in Section 7 below. The delivery of the Bonds is referred to as the "Closing."

4. The Trust Agreement, an Escrow Agreement, dated as of \_\_\_\_\_, 2015 (the "Escrow Agreement"), between The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") and a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the "Dissemination Agent") with respect to the Bonds shall be executed and delivered substantially in the respective forms heretofore reviewed by the Underwriter, with only such changes therein as shall be mutually agreed upon by the parties hereto.

5. The City represents, warrants and covenants to the Underwriter that:

(a) The City is a general law city and municipal corporation duly organized and existing pursuant to the Constitution and laws of the State of California and has all necessary power and authority to adopt its resolution adopted on \_\_\_\_\_, 2015 (the "City Resolution"), to enter into and perform its duties under the Bonds, the Trust Agreement, the Continuing Disclosure Agreement, the Escrow Agreement and this Purchase Contract, and, when executed and delivered by the respective parties thereto, the Bonds, the Trust Agreement, the Continuing Disclosure Agreement, the Escrow Agreement and this Purchase Contract will constitute legally valid and binding obligations of the City, enforceable in accordance with their respective terms. The Bonds, the Trust Agreement, the Continuing Disclosure Agreement, the Escrow Agreement, this Purchase Contract and the Official Statement are collectively, referred to herein as the "City Documents".

(b) To the best knowledge of the City, neither the execution and delivery of the City Documents, nor the approval and execution of the Official Statement or this Purchase Contract, nor compliance with the provisions on the City's part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, materially conflicts with or constitutes a material breach of or default under nor materially contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, including the PERS Contract, nor does any such execution, delivery, adoption or compliance result in the security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the City Documents.

(c) By all necessary official action, the City has duly adopted the City Resolution, has authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents, and has approved the use by the Underwriter of the Preliminary Official Statement and the Official Statement (as such terms are defined herein) and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded.

(d) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory agency having jurisdiction over the City required for the execution and delivery of the Bonds or the consummation by the City of the other transactions contemplated by the Official Statement and this Purchase Contract.

(e) To the best of the City's knowledge and belief, other than as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at

law or in equity before or by any court or governmental agency or body pending, or threatened, against the City, nor to the best knowledge and belief of the City is there any basis therefor, to restrain or enjoin the application by the City of the revenues as described in the Official Statement as security for the Bonds, or in any way contesting or affecting the validity of City documents, or contesting the powers of the City to enter into or perform its obligations under any of the foregoing.

(f) The Preliminary Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading and the Official Statement as of its date and as of the Closing Date will not contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(g) The City agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that in no event shall the City be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject.

(h) By official action of the City prior to or concurrently with the execution hereof, the City has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the City Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Contract.

(i) To the best knowledge of the City, it is not in breach of or default under any material applicable law or administrative regulation of the State of California or the United States or any material applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject and in connection with which the City is obligated to make payments from its own funds, including the PERS Contract, 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 an event of default under any such instrument the consequence of which could be the materially and adversely affect the performance of the City under the City Documents.

(j) Between the date hereof and the Closing, the City will not have issued, without the prior written consent of the Underwriter, any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(k) At or prior to the Closing, the City shall have duly authorized, executed and delivered the Continuing Disclosure Agreement. The Continuing Disclosure Agreement shall comply with the provisions of the Rule and be substantially in the form attached to the Preliminary Official Statement and Official Statement as APPENDIX E. Based on a review of its prior undertakings under the rule, and except as otherwise disclosed in the Official Statement, the City has not failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events during the last five years.

(l) The financial statements of, and other financial information regarding the City and its obligations contained in the Official Statement fairly present the financial position of the City as of the dates and for the periods therein set forth, the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, the unaudited financial statements (if any) have been prepared on a basis substantially consistent with the audited financial statements included in the Official Statement and reflect all adjustments necessary to that affect, and the other financial information has been determined on a basis substantially consistent with that of the City's audited financial statements included in the Official Statement.

(m) The City will apply the proceeds of the Bonds in accordance with the Trust Agreement.

(n) The City will deliver all opinions, certificates, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Contract.

(o) Any certificate of the City delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(p) As of the time of acceptance hereof and as of the Closing the City does not and will not have outstanding any indebtedness which is payable from the City's general fund except as disclosed in the Official Statement.

(q) The City hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the City until the date which is twenty-five (25) days following the Closing.

(r) If at any time prior to twenty-five (25) days following the "end of the underwriting period" (as defined in the Rule) or until such time (if earlier) as the Underwriter shall no longer hold any of the Bonds for sale, the City will not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by the Underwriter; and if any event relating to or affecting the City shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or

supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance reasonably satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. The City shall be entitled to presume that unless otherwise notified by the Underwriter in writing, the end of the underwriting period shall be the date of the Closing.

(s) The City does not need the consent of its auditor to include its comprehensive annual financial report for the fiscal year ended June 30, 2014 as and appendix to the Official Statement.

6. [Reserved].

7. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the City contained herein, and the opinions of Bond Counsel and Disclosure Counsel, counsel to the Trustee/Escrow Agent, the City Attorney and counsel to the Underwriter required hereby. The Underwriter's obligations under this Purchase Contract are and shall be subject to the following further conditions:

(a) At the time of the Closing, the City Documents all as described in the Official Statement, shall be in full force and effect as valid and binding agreements between or among the various parties thereto and the City Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(b) At or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to them and their counsel:

(1) A Certified copy of the City Resolution.

(2) The unqualified approving opinion of Bond Counsel, dated the date of the Closing, addressed to the City and the Underwriter (or a reliance letter to the Underwriter), in substantially the form attached as [APPENDIX \_\_] to the Official Statement;

(3) A supplemental opinion of Bond Counsel, addressed to the Underwriter, in form and substance to the effect that:

(i) The statements and information contained in the Official Statement on the cover page and under the captions ["INTRODUCTION," "THE FINANCING PLAN," "THE BONDS" (except for the information under the captions "The Book Entry System"), "SECURITY FOR THE BONDS," "CONCLUDING INFORMATION – Tax Matters" and "- Validation of Original Issuance," and in APPENDICES \_\_\_\_, \_\_\_\_, and \_\_\_\_], insofar as such statements purport to summarize certain provisions of the Bonds, the City Documents and such counsel's opinion with respect to the validity of, and certain State of California tax matter relating to, the Bonds, are true and accurate in all material respects;

(ii) The Bonds are exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Agreement is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended; and

(iii) The City Documents have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding agreements of the City enforceable against it in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against cities, and except as the enforceability of the indemnification or waiver provisions contained in the Purchase Contract may be limited by applicable securities laws or public policy.

(4) An opinion of the City Attorney of the City, dated the Closing Date and addressed to the Underwriter and the City, to the effect that: (i) the City is a general law city and a municipal corporation duly organized and validly existing under the Constitution and laws of the State of California; (ii) the City Resolution was fully adopted at one or more meetings of the City Council, which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout; (iii) to the best of such counsel's knowledge and belief, other than as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the City, to restrain or enjoin the application of the City's general fund or in any way contesting or affecting the validity of the City Documents, wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the City's obligations hereunder or under the City Documents; and (iv) the representations and warranties of the City as set forth in the City

Documents are, as to all matters of law and after reasonable investigation, true and accurate on and as of the Closing Date as though made on such date, and such representation and warranties are, as to all other matters, true and accurate to the best knowledge and belief of such counsel on and as of the Closing Date as though made on such date, except that the City Attorney shall not be required to render any opinion regarding the financial condition of the City.

(5) A defeasance opinion of Bond Counsel, dated the date of the Closing addressed to the City and the Underwriter, relating to the Prior Bonds in such form as may be acceptable to the Underwriter.

(6) An opinion of counsel to the Trustee, Escrow Agent and Dissemination Agent (collectively, the "Bank"), dated the Closing Date and addressed to the City and the Underwriter, to the effect that: (i) the Bank has been duly organized and is validly existing and in good standing as a national banking association under the laws of the United States of America with full corporate power to enter into and perform its obligations under the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement, and to undertake the trust of the Trust Agreement; (ii) the Bank has duly authorized, executed and delivered the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement and by all proper corporate action has authorized acceptance of the trust of the Trust Agreement; (iii) assuming the due authorization, execution and delivery by the other party thereto, the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement constitute the legally valid and binding obligations of the Bank, enforceable against the Bank in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws or equitable principles relating to or limiting creditors' rights generally; (iv) the Bonds have been validly authenticated and delivered by the Bank; (v) exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Bank's authority to perform a trust business (all such routine filings such counsel believes to have been made), no authorization, approval, consent or other order of any governmental agency or, to such counsel's knowledge, any other person or corporation is required for the valid authorization, approval, consent or other order of any governmental agency or, to such counsel's knowledge, any other person or corporation is required for the valid authorization, execution and delivery of the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement by the Bank or the authentication and delivery of the Bonds; and (vi) the execution and delivery of the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement, and compliance with the provisions thereof, will not conflict with or constitute a breach of or default under, the Bank's duties or obligations under said document or under any law, administrative regulation, court decree, resolution, charter, by-laws, or other agreement to which the Bank is subject or by which it is bound.

(7) An opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, Disclosure Counsel, dated the Closing Date and addressed to the City and the Underwriter, substantially to the effect that, based upon its participation in the preparation of the Official Statement, Disclosure Counsel advises the City and the Underwriter as a matter of fact and not opinion that, during the course of its role as disclosure counsel with respect to the Bonds, no facts came to the attention of the attorneys in the firm rendering legal services in connection with such role which caused Disclosure Counsel to believe that the Official Statement as of its date contained, or as of the date of Closing contains, any untrue statement of a material fact or as of its date omitted, or as of the date of Closing omits, to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (in each case except for financial statements, the information set forth in the Appendices to the Official Statement (other than Appendices \_\_, \_\_ and \_\_), any CUSIP numbers, financial, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about book-entry, tax-exemption, DTC included or referred to therein, which Disclosure Counsel expressly excludes from the scope of such letter and as to which Disclosure Counsel expresses no opinion or view).

(8) A certificate of the Authorized Officer or other designated official of the City, dated the Closing Date, to the effect that (i) the representations and warranties of the City in this Purchase Contract are true and correct on and as of the Closing Date as if made on and as of the Closing Date, and the City has complied with and performed all of its covenants and agreements in this Agreement to be complied with and performed at or prior to the Closing, and (ii) nothing has come to such officer's attention which would lead such officer to believe that, the information with respect to the City, the City's general fund and the Bonds contained in the Official Statement, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, said certificate otherwise being in form and substance acceptable to Bond Counsel and to the Underwriter.

(9) A no-litigation certificate of the City, dated the Closing Date, to the effect that, other than as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending, or threatened, against the City, nor to the best knowledge and belief of the City is there any basis therefor, to restrain or enjoin the application by the City of the revenues of its general fund as described in the Official Statement as security for the Bonds, or in any way contesting or affecting the validity of the City Documents, or contesting the powers of the City to enter into or perform its obligations under any of the foregoing.

(10) Duly executed copies of the City Documents.

(11) Two executed copies of the Official Statement.

(12) Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of documents such as the Bonds, the Trust Agreement, the Escrow Agreement, and the Continuing Disclosure Agreement.

(13) A certificate of the Bank dated the Closing Date, signed by a duly authorized officer of the Bank, in form and substance satisfactory to the City and the Underwriter, to the effect that: (i) the Bank is a national banking association duly organized and in good standing under the laws of the United States of America and has all necessary power and authority to enter into and perform its duties under the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement; (ii) the Bank is duly authorized to enter into the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Trust Agreement; (iii) the Bonds have been duly authenticated and delivered by the Bank to the Underwriter pursuant to the Trust Agreement; (iv) the Bank is not in breach of or default under any law or administrative rule or regulation of the State of California or the United States of America, or of any department, division, agency or instrumentality thereof, or any applicable court or administrative decree or order, or any other instrument to which the Bank is a party or is otherwise subject or bound and which would materially impair the ability of the Bank to perform its obligations under the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement; (v) the execution and delivery of the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement and authentication and delivery of the Bonds will not conflict with or constitute a breach of or default under the Bank's duties under such documents, or any law, administrative regulation, court decree, resolution, charter, bylaws or other agreement to which the Bank is subject or by which it is bound; (vi) the representations and agreements of the Bank in the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement are true and correct in all material respects as of the Closing Date; and (vii) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, served on, or, to the best knowledge of such officer, threatened against, the Bank, affecting the existence of the Bank or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Trust Agreement against the Bank, or contesting the power of the Bank or its authority to enter into, adopt or perform its obligations under the Trust Agreement, the Continuing Disclosure Agreement and the Escrow Agreement, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Trust Agreement, the Continuing Disclosure Agreement and

the Escrow Agreement against the Bank or the authentication and delivery of the Bonds.

(14) Evidence as of the Closing satisfactory to the Underwriter that the Bonds have received the ratings identified in the Official Statement.

(15) A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code.

(16) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel and Counsel for the Underwriter may reasonably request to evidence compliance by the Trustee with legal requirements, the truth and accuracy, as of the time of the Closing, of the representations contained herein and in the Official Statement and the due performance or satisfaction by the Trustee, the Authority and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(c) All matters relating to this Purchase Contract, the Bonds and the sale thereof, the City Documents and the consummation of the transactions contemplated by this Purchase Contract shall have been approved by the Underwriter and Counsel for the Underwriter.

If the conditions to the Underwriter's obligations contained in this Purchase Contract are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the City shall have any further obligation hereunder.

8. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Purchase Contract are and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) Representations True. The representations and warranties of the City contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the City shall be in compliance with each of the agreements made by it in this Purchase Contract;

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, the City Documents shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us; (ii) all actions which, in the opinion of Bond Counsel shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the City shall perform or have performed all of its obligations required under or specified in the City Documents or the Official Statement to be performed at or prior to the Closing;

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside), or to the best knowledge of the City, be threatened which has any of the effects described in Section 5(e) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(d) Termination. The Underwriter shall have the right to terminate in its absolute discretion the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the City of its election to do so if, after the execution hereof and prior to the Closing:

(1) any action shall have been taken by the Securities and Exchange Commission or by a court which would require registration of any security under the Securities Act of 1933, as amended, or qualification of any indenture under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Bonds, or any action shall have been taken by any court of by any governmental authority suspending the offering or sale of the bonds or the use of the Official Statement or any amendment or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority;

(2) (i) the Constitution of the State of California shall be amended or an amendment shall be proposed, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of California law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State of California by an official, agency or department thereof, affecting the tax status of the City, its property or income, its notes or bonds (including the Bonds) or the interest thereon, which in the reasonable judgment of the Underwriter would make it impracticable to market the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, on the terms and in the manner contemplated in the Official Statement;

(3) (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the National Association of Securities Dealers, Inc, (ii) trading of any securities of the City shall have been suspended on any exchange or in any

over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities, (iv) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred; or (v) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in the judgment of the Underwriter, is material and adverse and in the case of any of the events specified in clauses (i) through (v), such event singly or together with any other such event makes it, in the reasonable judgment of the Underwriter, impracticable to market the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, on the terms and in the manner contemplated in the Official Statement;

(4) the withdrawal or downgrading, or any notice shall have been given of any intended or potential downgrading, of any rating of the City's outstanding indebtedness by a national rating agency which makes it, in the reasonable judgment of the Underwriter, impracticable to market the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, on the terms and in the manner contemplated in the Official Statement;

(5) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission; or a court of competent jurisdiction rules that the issuance of the Bonds would not be valid;

(6) Circular 230 of the Department of the Treasury is amended, with an effective date prior to the Closing Date, in a form which would make it impracticable, in the reasonable opinion of the Underwriter, for the Underwriter to sell the Bonds at the prices set forth herein; or

(7) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

9. Performance by the City of its obligations under this Purchase Contract is conditioned upon (i) performance by the Underwriter of its obligations hereunder and (ii) receipt by the Underwriter of all opinions and certificates to be delivered at the Closing by persons and entities other than the City.

10. The City will pay or cause to be paid the expenses incident to the performance of its obligations hereunder and certain expenses relating to the sale of the Bonds, including but not limited to (a) the cost of the preparation and printing or other reproduction of the City Documents; (b) the fees and disbursements of Bond Counsel,

Disclosure Counsel, Trustee and Escrow Agent and their counsel and any other experts or other consultants retained by the City; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Bonds; and (e) the cost of providing immediately available funds on the Closing Date. The Underwriter will pay the expenses of the preparation of this Purchase Contract and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including CDIAAC fees and the fee and disbursements of Underwriter's Counsel.

11. Any notice or other communication to be given to the City under this Agreement will be given by delivering the same in writing to the City, at the address set forth above, Attention: City Manager; any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Sara Brown.

12. This Purchase Contract is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter) and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All covenants and representations of the City 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 and shall survive the delivery of and payment for the Bonds.

13. 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. This Purchase Contract shall be governed by the laws of the State of California applicable to contracts made and performed in such State.

15. This Purchase Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Respectfully submitted,

**STIFEL, NICOLAUS & COMPANY,  
INCORPORATED, AS UNDERWRITER**

By:

\_\_\_\_\_  
, Managing Director

The foregoing is hereby agreed to and accepted as of the date first above written:

**CITY OF OCEANSIDE**

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

Title: \_\_\_\_\_

Time of Execution: \_\_\_\_\_

EXHIBIT A TO THE BOND PURCHASE CONTRACT

\$ \_\_\_\_\_  
CITY OF OCEANSIDE  
TAXABLE PENSION OBLIGATION REFUNDING BONDS  
SERIES 2015

MATURITY SCHEDULE

<u>Maturity Date</u> <u>(August 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
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REDEMPTION PROVISIONS

*Optional Redemption.* The Bonds maturing on or after [August 15, 2026] may be redeemed, at the option of the City from any source of funds on any date on or after [August 15, 2025], in whole, or in part from such maturities as are selected by the City and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

*[Sinking Fund Redemption.]*

Sinking Account  
Redemption Date  
(August 15)

Mandatory Sinking  
Account Payments

†Maturity

## ATTACHMENT 6

### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of \_\_\_\_\_ 1, 2015 (the "Disclosure Agreement") is by and between 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 the City's \$ \_\_\_\_\_ Taxable Pension Obligation Refunding Bonds, Series 2015 (the "Bonds").

WHEREAS, the Bonds are being issued pursuant to a Trust Agreement dated as of August 1, 2005, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Trust Agreement dated as of \_\_\_\_\_ 1, 2015.

WHEREAS, this Disclosure Agreement is being entered into 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 (defined below).

NOW, THEREFORE, the City and the Dissemination Agent agree as follows:

**SECTION 1. Definitions.** In addition to the definitions set forth in the Indenture, 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 2 and 3 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 Director of Financial Services of the City, the Treasury Manager 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 4(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 \_\_\_\_\_, 2015.

“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 Underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

**SECTION 2. Provision of Annual Reports.**

(a) The City shall, or shall cause the Dissemination Agent, not later than [March] 1 following the end of the City’s fiscal year (which presently ends on June 30), commencing with the report for the fiscal year ending June 30, 2015, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The City’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The City will promptly notify the MSRB and the Dissemination Agent (if other than the City) of a change in the fiscal year dates. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(b) If by five (5) Business Days prior to the Annual Report Date, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent shall provide in a timely manner to the MSRB (with a copy to the Trustee and the Underwriter) a notice, in substantially the form attached as Exhibit A.

(d) Unless the City has done so pursuant to Section 3(a) above, the Dissemination Agent (if other than the City) shall:

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

(ii) if the Dissemination Agent is other than the City, file a certificate with the City to the effect 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 3. 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 2(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 2 hereof, updates of the Tables in Appendix A to the Official Statement entitled \_\_\_\_\_ in substantially the form set forth in the Official Statement.

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 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, 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:

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 4, 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 4(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. 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 sale of all or substantially all of the assets of the City, 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 5. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The obligations of the City, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(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 4(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

Disclosure Agreement 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, and the sole remedy under this Disclosure Agreement in the event of any failure of the City 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 shall inure solely to the benefit of the City, the Dissemination Agent, if any, 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: \_\_\_\_\_  
City Manager

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

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

ATTACHMENT 6

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Oceanside  
Name of Issue: City of Oceanside Taxable Pension Obligation Refunding Bonds, Series 2015  
Date of Issuance: \_\_\_\_\_, 2015

**NOTICE IS HEREBY GIVEN** that the City of Oceanside (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of \_\_\_\_\_ 1, 2015, by and between the City and The Bank of New York Mellon Trust Company, N.A.. [The City anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

**[DISSEMINATION AGENT]**

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