

# CITY OF LOS ALAMITOS

3191 Katella Ave.  
Los Alamitos, CA 90720

## AGENDA CITY COUNCIL AND PUBLIC FACILITES CORPORATION SPECIAL JOINT MEETING Monday, August 10, 2015 – 5:30 p.m.

I, Richard D. Murphy, as Mayor of the City of Los Alamitos, do hereby call a special meeting of the City Council of the City of Los Alamitos, to be held at the time and place listed above to discuss the matters listed below.



Richard D. Murphy, Mayor of the City of Los Alamitos

### NOTICE TO THE PUBLIC

This Agenda contains a brief general description of each item to be considered. Except as provided by law, action or discussion shall not be taken on any item not appearing on the agenda. Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at [www.cityoflosalamitos.org](http://www.cityoflosalamitos.org) once the agenda has been publicly posted.

Any written materials relating to an item on this agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, 3191 Katella Ave., Los Alamitos CA 90720, during normal business hours. In addition, such writings or documents will be made available for public review at the respective public meeting.

It is the intention of the City of Los Alamitos to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee, or a participant at this meeting, you will need special assistance beyond what is normally provided, please contact the City Clerk's Office at (562) 431-3538, extension 220, 48 hours prior to the meeting so that reasonable arrangements may be made. Assisted listening devices may be obtained from the City Clerk at the meeting for individuals with hearing impairments.

Persons wishing to address the City Council on any item on the City Council Agenda will be called upon at the time the agenda item is called or during the City Council's consideration of the item and may address the City Council for up to three minutes.

1. **CALL TO ORDER**
  
2. **ROLL CALL**  
Council Member/Director Grose  
Council Member/Director Hasselbrink  
Council Member/Director Kusumoto  
Mayor Pro Tem/Vice President Edgar  
Mayor/President Murphy

### 3. SPECIAL ORDERS OF THE DAY

#### A. **2015 Certificates of Participation (Administrative Services)**

The item for City Council and Los Alamitos Public Facilities Corporation ("Corporation") consideration is approval of resolutions that authorize the execution and delivery of the 2015 Certificates of Participation ("COPs") in order to refinance the outstanding 2006 Certificates of Participation and finance the design, acquisition and construction of certain public facilities.

Recommendations:

That the City Council:

1. Adopt Resolution No. 2015-20, entitled, "RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS AUTHORIZING THE ISSUANCE AND SALE OF ITS 2015 CERTIFICATES OF PARTICIPATION, AUTHORIZING EXECUTION AND DELIVERY BY THE CITY OF A LEASE AGREEMENT, A TRUST AGREEMENT, AN ESCROW AGREEMENT, A RELEASE AND TERMINATION AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, APPROVING A NOTICE OF SALE, AND THE PREPARATION AND DELIVERY OF A PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT WITH RESPECT TO THE ISSUANCE AND SALE OF SUCH CERTIFICATES OF PARTICIPATION, APPOINTING A TRUSTEE AND MAKING OTHER FINDINGS RELATING THERETO"; and,
2. Authorize the Mayor, City Manager, and the Administrative Services Director/Treasurer to execute the documents and make certain non-substantive changes as required to close the transaction.

That the Los Alamitos Public Facilities Corporation:

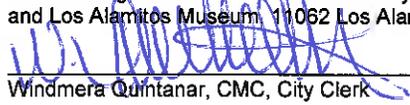
1. Approve the minutes of the prior meeting that was held on February 6, 2006; and,
2. Approve establishment of regular meetings to be held once a year in January; and,
3. Adopt Resolution No. 2015-01, entitled, "RESOLUTION OF THE BOARD OF DIRECTORS OF LOS ALAMITOS PUBLIC FACILITIES CORPORATION AUTHORIZING EXECUTION AND DELIVERY BY THE CORPORATION OF A LEASE AGREEMENT, A TRUST AGREEMENT, AN ESCROW AGREEMENT AND TERMINATION AGREEMENT WITH RESPECT TO THE EXECUTION AND DELIVERY OF 2015 CERTIFICATES OF PARTICIPATION IN AN AGGREGATE PRINCIPAL AMOUNT NOT

TO EXCEED \$4,075,000 AND AUTHORIZING EXECUTION AND DELIVERY OF SAID CERTIFICATES OF PARTICIPATION.”; and,

4. Authorize the President, Secretary, and Treasurer of the Corporation to execute the documents and make certain non-substantive changes as required to close the transaction.

#### 4. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at the following locations: Los Alamitos City Hall, 3191 Katella Ave.; Los Alamitos Community Center, 10911 Oak Street; and Los Alamitos Museum, 11062 Los Alamitos Blvd. not less than 24 hours prior to the meeting.

  
\_\_\_\_\_  
Windmera Quintanar, CMC, City Clerk

8/5/15  
\_\_\_\_\_  
Date

**City of Los Alamitos**  
Joint City Council and Public Facilities Corporation

**Agenda Report**  
**Special Orders**

**August 10, 2015**  
**Item No: 3A**

**To:** Mayor Richard D. Murphy & Members of the City Council  
Members of the Board of Directors of the Public Facilities Corporation

**Via:** Bret M. Plumlee, City Manager

**From:** Jason Al-Imam, Administrative Services Director

**Subject:** 2015 Certificates of Participation

**Summary:** The item for City Council and Los Alamitos Public Facilities Corporation ("Corporation") consideration is approval of resolutions that authorize the execution and delivery of the 2015 Certificates of Participation ("COPs") in order to refinance the outstanding 2006 Certificates of Participation and finance the design, acquisition and construction of certain public facilities.

**Recommendations:**

That the City Council:

1. Adopt Resolution No. 2015-20, entitled, "RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS AUTHORIZING THE ISSUANCE AND SALE OF ITS 2015 CERTIFICATES OF PARTICIPATION, AUTHORIZING EXECUTION AND DELIVERY BY THE CITY OF A LEASE AGREEMENT, A TRUST AGREEMENT, AN ESCROW AGREEMENT, A RELEASE AND TERMINATION AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, APPROVING A NOTICE OF SALE, AND THE PREPARATION AND DELIVERY OF A PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT WITH RESPECT TO THE ISSUANCE AND SALE OF SUCH CERTIFICATES OF PARTICIPATION, APPOINTING A TRUSTEE AND MAKING OTHER FINDINGS RELATING THERETO" and authorize the Mayor, City Manager and the Administrative Services Director/Treasurer to execute the documents and make certain non-substantive changes as required to close the transaction.

That the Los Alamitos Public Facilities Corporation:

1. Approve the minutes of the prior meeting that was held on February 6, 2006;
2. Approve establishment of regular meetings to be held once a year in January; and
3. Adopt Resolution No. 2015-01, entitled, "RESOLUTION OF THE BOARD OF DIRECTORS OF LOS ALAMITOS PUBLIC FACILITIES CORPORATION

AUTHORIZING EXECUTION AND DELIVERY BY THE CORPORATION OF A LEASE AGREEMENT, A TRUST AGREEMENT, AN ESCROW AGREEMENT AND TERMINATION AGREEMENT WITH RESPECT TO THE EXECUTION AND DELIVERY OF 2015 CERTIFICATES OF PARTICIPATION IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$4,075,000 AND AUTHORIZING EXECUTION AND DELIVERY OF SAID CERTIFICATES OF PARTICIPATION” and authorize the President, Secretary and Treasurer of the Corporation to execute the documents and make certain non-substantive changes as required to close the transaction.

## Background

The City currently has \$2,895,000 in outstanding principal on its 2006 Certificates of Participation, which have an all-in true interest cost of approximately 4.8%. If the City refinanced its outstanding debt, it could provide debt service savings due to historically low interest rates. If the City extends the amortization period from 21 years to 30 years it would provide for approximately \$915,000 of new money to be used on capital projects while keeping debt service at the same level as is currently with the original bond issue.

The bonds are expected to close in September 2015. In order to lock in low interest rates and to stay on track for a September close, it is requested that the bond documents related to the refinancing of the 2006 Certificates of Participation be approved at this time.

## Discussion

At a special meeting on June 23, 2015, the City Council approved a tentative list of projects to fund with bond proceeds. If the City Council approves the 30 year amortization period and the borrowing of \$915,000 to be spent on the projects outlined in **Attachment 1**, the bond documents can be approved “as is”. Based on feedback received from the City Council on July 21, 2015, the tentative list of projects identifies the three projects that have been prioritized by the City Council and the list also outlines other potential funding sources and grant opportunities. If the City spends bond proceeds on projects that are also eligible for grant funding the City can leverage those funds, which would act as a force multiplier.

If the City Council desires to move forward with a straight refinancing with no extension of the amortization period or borrowing of additional funds, the City Council could direct staff to make the appropriate changes to the bond documents and approve the resolutions and related documents with the requested changes.

Attached to this report are the resolutions of the City Council and the Corporation that will authorize staff to finalize this transaction and sell it to the market. With those resolutions are copies of the other relevant financing documents required for the transaction to be sold, including the Preliminary Official Statement (“POS”), which is the primary disclosure document used by the purchasers of the certificates to assess their risk in making a purchase of this obligation. The POS has been reviewed and approved for transmittal to

the City Council by staff and the financing team. The POS must include all facts that would be considered material to an investor in the certificates. Members of the City Council and the Corporation may review the document or make inquiry of staff to make sure they are comfortable that the POS contains all material facts of which they are aware.

## **Fiscal Impact**

If the City Council extends the amortization period from 21 years to 30 years and borrows an additional \$915,000, the annual debt service (principal and interest) on the total bond issue would be approximately \$210,000 each year, which is on par with the current level of annual debt service on the original bond issue.

Submitted By:

Approved By:

  
\_\_\_\_\_  
Jason Al-Imam  
Administrative Services Director

  
\_\_\_\_\_  
Bret M. Plumlee  
City Manager

- Attachments:*
1. *Tentative List of Bond Funded Projects (pages 1-3)*
  2. *Resolution No. 2015-20 of the City Council Approving the 2015 COPs (pages 4-8)*
  3. *Resolution No. 2015-01 of the Board Approving the 2015 COPs (pages 9-12)*
  4. *Trust Agreement (pages 13-62)*
  5. *Lease Agreement (pages 63-97)*
  6. *Release of Lien and Termination Agreement (pages 98-104)*
  7. *Escrow Deposit and Trust Agreement (pages 105-116)*
  8. *Official Notice of Sale (pages 117-128)*
  9. *Preliminary Official Statement (pages 129-193)*
  10. *Public Facilities Corporation Minutes from February 6, 2006 (pages 194-197)*

CITY OF LOS ALAMITOS  
TENTATIVE LIST OF BOND FUNDED PROJECTS

Project	Project Description	Bond Funded Amount	Other Funding	Potential Grant Funded Amount	Total Project
Los Alamitos Boulevard Revitalization Project (Priority #1)	Design and construct raised curb median island, landscaping, irrigation system, plant lighting, center median street lights, slurry sealing of street and restriping of lanes on Los Alamitos Blvd from Katella Ave to Cerritos Ave.  <b>Current Funding Source:</b> \$200,000 set aside in General Fund; balance is unfunded  <b>Potential Grant Funding Sources:</b> CMAQ (Congestion Mitigation and Air Quality) up to 88.53% of the total cost of selected transportation projects that will improve air quality.  88.53% grant Using reserve 50% grant  HSIP (Highway Safety Improvement Program) up to 88.53% of the total cost of selected transportation projects that improve safety  88.53% grant Using reserve 50% grant  OCTA, Regional Capacity Program (RCP) – Arterial Capacity Enhancements (ACE) up to 50%	\$700,000  \$103,230 \$250,000 \$450,000  \$103,230 \$250,000 \$450,000	Reserve \$200,000  \$200,000 \$0  \$200,000 \$0  Measure M/Gas Tax \$500,000  General Fund \$850,000 \$0  Measure M/Gas Tax \$0 \$5,000 \$0	\$0  \$796,770 \$450,000 \$450,000  \$796,770 \$450,000 \$450,000  RCP/ACE \$400,000  \$0 \$850,000  \$0 \$0 \$5,000	\$900,000  \$900,000 \$900,000 \$900,000  \$900,000 \$900,000 \$900,000  \$900,000  \$1,100,000 \$1,100,000  \$5,000 \$5,000
Purple Pipe Project (Priority #2)	Purple Pipe Project  <b>Current Funding Source:</b> Unfunded  <b>Potential Grant Funding Sources:</b> Proposition 1B (State)	\$250,000 \$250,000			
Cerritos Ave @ High School Intersection (Priority #3)	Striping duel left turns into school.  <b>Current Funding Source:</b> Unfunded Using Measure/Gas Tax	\$5,000 \$0			

**CITY OF LOS ALAMITOS  
TENTATIVE LIST OF BOND FUNDED PROJECTS**

<b>Project</b>	<b>Project Description</b>	<b>Bond Funded Amount</b>	<b>Other Funding</b>	<b>Potential Grant Funded Amount</b>	<b>Total Project</b>
Cerritos Ave @ High School Intersection (Priority #3)	Modify signal and widen school entrance and exit.		Measure M/Gas Tax		
	<u>Current Funding Source:</u> Unfunded	\$92,000		\$0	\$92,000
	Using Measure/Gas Tax	\$0	\$92,000	\$0	\$92,000
	<u>Potential Grant Funding Sources:</u> OCTA, Regional Capacity Program (RCP) - Intersection Capacity Enhancements (ICE) 50%	\$46,000		\$0	\$46,000
Cerritos Ave @ Los Alamitos Boulevard Intersection Improvements (Priority #3)	CMAQ (Congestion Mitigation and Air Quality) up to 88.53% of the total cost of selected transportation projects that will improve air quality.	\$10,552		\$81,448	\$92,000
	88.53% grant	\$46,000	\$46,000	\$46,000	\$92,000
	50% grant				\$92,000
	Using Measure/Gas Tax		\$46,000		\$46,000
Cerritos Ave @ Los Alamitos Boulevard Intersection Improvements	HSIP (Highway Safety Improvement Program) up to 88.53% of the total cost of selected transportation projects that improve safety	\$10,552		\$81,448	\$92,000
	88.53% grant	\$46,000		\$46,000	\$92,000
	50% grant				\$92,000
	Using Measure/Gas Tax	\$0	\$46,000		\$46,000
Cerritos Ave @ Los Alamitos Boulevard Intersection Improvements	CMAQ (Congestion Mitigation and Air Quality) up to 88.53% of the total cost of selected transportation projects that will improve air quality.	\$15,026		\$115,974	\$131,000
	88.53% grant	\$65,500		\$65,500	\$131,000
	50% grant				\$131,000
	Using Measure/Gas Tax	\$0	\$65,500		\$65,500

**CITY OF LOS ALAMITOS  
TENTATIVE LIST OF BOND FUNDED PROJECTS**

<b>Project</b>	<b>Project Description</b>	<b>Bond Funded Amount</b>	<b>Other Funding</b>	<b>Potential Grant Funded Amount</b>	<b>Total Project</b>
	HSIP (Highway Safety Improvement Program) up to 88.53% of the total cost of selected transportation projects that improve safety 88.53% grant 50% grant Using Measure/Gas Tax	\$15,026 \$65,500 \$0	\$0 \$0 \$65,500	\$115,974 \$65,500 \$65,500	\$131,000 \$131,000 \$131,000
ADA Curb Ramps & Sidewalks	This project provides for repair and replacement of public curbs, gutters and sidewalks that do not meet current ADA standards. <b>Current Funding Source:</b> Measure M/ Gas Tax	\$300,000 \$0	\$0 Measure M/Gas Tax \$300,000	\$0 \$0	\$300,000 \$300,000
Parks Playground Replacement & Rubberized Ground Cover Project	Install new rubberized ground cover and new playground equipment at Orville Lewis, Labourdette, Sterns, Soroptimist and Little Cottonwood Park. <b>Current Funding Source:</b> Park Fees	\$227,500 \$0	\$0 Park Fees \$227,500	\$0 \$0	\$227,500 \$227,500
Little Cottonwood Park Septic Tank Project	Construct 8 inch sewer from Little Cottonwood Park restroom to the sewer in Kelly Lane. <b>Current Funding Source:</b> Park Fees	\$110,000 \$0	\$0 \$100,000	\$0 \$0	\$110,000 \$100,000
Old Dutch Haven Street Rehabilitation	Grind and overlay asphalt or slurry seal in the streets in the Old Dutch Haven Neighborhood on Pine Street, Reagan Street, Cherry Street, Thor Avenue and Snark Street south of Farquhar Avenue. <b>Current Funding Source:</b> Future Measure M/ Gas Tax Revenues Not Available Until 2017/18	\$292,000 \$0	\$0 Park Fees \$292,000	\$0 \$0	\$292,000 \$292,000
Alley Improvements - Between Pine and Reagan and Kyle and Bloomfield	This project replaces asphalt or broken sections of concrete with new concrete. <b>Current Funding Source:</b> Unfunded	\$150,000 \$0	\$0 Reserve \$150,000	\$0 \$0	\$150,000 \$150,000
Alley Improvements - Between Katella and Green and Reagan and Los Alamitos	This project replaces asphalt or broken sections of concrete with new concrete. <b>Current Funding Source:</b> Unfunded	\$100,000 \$0	\$0 Reserve \$100,000	\$0 \$0	\$100,000 \$100,000
Old Dutch Haven Block Wall	Old Dutch Haven Block Wall <b>Current Funding Source:</b> Unfunded	\$30,000 \$0	\$0 Reserve \$30,000	\$0 \$0	\$30,000 \$30,000

RESOLUTION NO. 2015-20

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS AUTHORIZING THE ISSUANCE AND SALE OF ITS 2015 CERTIFICATES OF PARTICIPATION, AUTHORIZING EXECUTION AND DELIVERY BY THE CITY OF A LEASE AGREEMENT, A TRUST AGREEMENT, AN ESCROW AGREEMENT, A RELEASE AND TERMINATION AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, APPROVING A NOTICE OF SALE, AND THE PREPARATION AND DELIVERY OF A PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT WITH RESPECT TO THE ISSUANCE AND SALE OF SUCH CERTIFICATES OF PARTICIPATION, APPOINTING A TRUSTEE AND MAKING OTHER FINDINGS RELATING THERETO

WHEREAS, the City of Los Alamitos (the "City") previously issued its \$3,600,000 aggregate principal amount of City of Los Alamitos 2006 Certificates of Participation (the "2006 Certificates"); and

WHEREAS, the City and the Los Alamitos Public Facilities Corporation (the "Corporation") have determined that it is advisable to issue its 2015 Certificates of Participation (the "Certificates") at this time to (a) refinance the outstanding 2006 Certificates, by the execution and delivery, and (b) to finance the design, acquisition and construction of certain public facilities (the "Project"); and

WHEREAS, there have been presented to this meeting of the City Council (the "City Council") the following documents:

1. Proposed form of Trust Agreement (the "Trust Agreement"), by and among the City, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee");
2. Proposed form of Lease Agreement, by and between the City and the Corporation (the "Lease");
3. Proposed form of Escrow Agreement, by and between The Bank of New York Mellon Trust Company, N.A., as Escrow Bank, the City, and the Corporation (the "Escrow Agreement");
4. Proposed form of Release of Lien and Termination Agreement, to be executed by the City and Corporation (the "Termination Agreement");
5. Proposed form of Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to be executed by the City;
6. Proposed form of Notice of Intention to Sell Securities (the "Notice of Sale"); and
7. Proposed form of Preliminary Official Statement and Official Statement.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS AS FOLLOWS:

Section 1. Recitals. All of the above recitals are true and correct.

Section 2. Approval of Issuance of Certificates of Participation. The issuance of the 2015 Certificates is hereby approved. The City Council hereby approves the sale of the Certificates by competitive sale provided that (i) the final principal amount of the Certificates shall not exceed \$4,075,000; and (ii) the true interest rates on various maturities of the Certificates, provided that the true interest cost shall not exceed 4.50%.

Section 3. Refunding of 2006 Certificates. The City Council hereby authorizes the refunding of the 2006 Certificates from the proceeds of the 2015 Certificates, and authorizes the execution and delivery of that certain Escrow Agreement, in substantially the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by the City Manager, whose execution thereof shall be conclusive evidence of such approval. The Mayor or the City Manager are hereby authorized and directed for and in the name and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest, the final form of the Escrow Agreement.

Section 4. Legal Documents. The forms of the Agreements listed below which have been presented to this meeting are hereby approved and the Mayor or the City Manager is hereby authorized and directed for and in the name and on behalf of the City to execute and deliver said agreements in the name of and on behalf of the City in the form hereby approved with such changes as the officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof:

1. the Trust Agreement;
2. the Lease Agreement;
3. the Termination Agreement;
4. the Continuing Disclosure Certificate; and
5. the Notice of Intention to Sell Securities and Official Notice Inviting Bids.

Section 5. Award of Sale of Certificates. The City Council hereby approves the sale of the Certificates at a competitive sale. Subject to Section 3 hereof, the City Manager is hereby authorized and directed to award the sale of the Certificate to the bidder with the lowest true interest cost. Following publication of the Notice of Intention to Sell Securities and the distribution of the Official Notice of Sale as provided for in Section 6 below and the receipt of competitive bids for the sale of the Bonds, the Authorized Officers may accept or reject all or any of the bids received on the Certificates. In any event, if the Authorized Officers, in consultation with the City's Financial Advisor, determines that a competitive sale of the bonds would not be likely to produce the best financial result for the District, the Authorized Officers are hereby authorized to negotiate the sale of the Bonds with one or more underwriters (the "Underwriter").

Section 6. Publication of Notice. The City Manager in cooperation with Special Counsel is hereby authorized and directed to publish a Notice of Intention to Sell Securities pursuant to Government Code Section 53692 in The Bond Buyer at least 15 days prior to the date bids are to be received. The City Manager in cooperation with the financial advisor shall cause the Official Notice Inviting Bids to be circulated among prospective bidders.

Section 7. Official Statement. The City Council hereby authorizes and approves the preparation and distribution of a Preliminary Official Statement (the "Preliminary Official Statement") and authorizes its distribution in connection with the sale of the Certificates. The City Manager or the Director of Administrative Service is authorized and directed for and on behalf of the City to review and approve the Preliminary Official Statement and any amendments thereto, provided that he shall have determined, after consultation with Special Counsel, the City Attorney and such other persons as he may deem appropriate, that such Preliminary Official Statement fairly and accurately presents the information required to be set forth therein and to certify that the Preliminary Official Statement as distributed is deemed to be "near final" within the meaning of Rule 15c-2-12 of the Securities Exchange Commission. The Mayor or City Manager is further authorized and directed to review, sign and approve distribution of the Final Official Statement, to consist of the Preliminary Official Statement and such changes thereto as may be approved by the Mayor or the City Manager, upon advice of Special Counsel and the City Attorney.

Section 8. Trustee and Paying Agent. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Trustee pursuant to the Trust Agreement, to take any and all action provided therein to be taken by the Trustee, and is further designated and appointed as paying agent for the Certificates.

Section 9. Form of Certificates. The form of the Certificates as set forth in the Trust Agreement is hereby approved, and the Trustee is hereby authorized to execute and deliver the Certificates in an aggregate principal amount as set forth in the Trust Agreement and to apply and expend the proceeds thereof as specified in the Trust Agreement.

Section 10. Requisitions. The City Manager and the Director of Administrative Services, or any one of them, are hereby authorized and directed to execute one or more requisitions authorizing the Trustee to pay the cost of issuing the Certificates, including the costs of any certificate insurance and reserve fund surety obtained in connection with the Certificates, from the proceeds of the Certificates pursuant to the Trust Agreement.

Section 11. Other Acts. The Mayor, the City Clerk, the City Manager and the Director of Administrative Services are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with the staff and special counsel they may deem necessary or advisable in order to consummate the sale and delivery of the Certificates, to obtain municipal bond insurance, or otherwise to effectuate the purposes of this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 12. Effective Date. This Resolution shall take effect immediately upon adoption.

ADOPTED by the City Council of the City of Los Alamitos this 10th day of August, 2015, by the following vote:

\_\_\_\_\_  
Mayor of the City of Los Alamitos

ATTEST:

\_\_\_\_\_  
City Clerk of the City of Los Alamitos

CERTIFICATION

I, Windmera Quintanar, City Clerk of the City of Los Alamitos, certify that the foregoing resolution was adopted by the City of Los Alamitos at a regular meeting held on the 10th day of August, 2015, by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and seal this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
City Clerk of the City of Los Alamitos

RESOLUTION NO. 2015-01

RESOLUTION OF THE BOARD OF DIRECTORS OF LOS ALAMITOS PUBLIC FACILITIES CORPORATION AUTHORIZING EXECUTION AND DELIVERY BY THE CORPORATION OF A LEASE AGREEMENT, A TRUST AGREEMENT, AN ESCROW AGREEMENT AND TERMINATION AGREEMENT WITH RESPECT TO THE EXECUTION AND DELIVERY OF 2015 CERTIFICATES OF PARTICIPATION IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$4,075,000 AND AUTHORIZING EXECUTION AND DELIVERY OF SAID CERTIFICATES OF PARTICIPATION

WHEREAS, Los Alamitos Public Facilities Corporation (the "Corporation") was organized and exists for the purposes, among others, of participating with public agencies, including the City of Los Alamitos (the "City") in the acquisition and construction of public facilities; and

WHEREAS, the City previously issued its \$3,600,000 aggregate principal amount of City of Los Alamitos 2006 Certificates of Participation (the "2006 Certificates"); and

WHEREAS, the City and the Corporation have determined that it is advisable to issue its 2015 Refunding Certificates (the "Certificates") at this time to (a) refinance the outstanding 2006 Certificates, by the execution and delivery, and (b) to finance the design, acquisition and construction of certain public facilities (the "Project"); and

WHEREAS, there have been presented to this meeting of the Board of Directors (the "Board of Directors") the following documents:

1. Proposed form of Trust Agreement (the "Trust Agreement"), by and among the City, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee");
2. Proposed form of Lease Agreement, by and between the City and the Corporation (the "Lease");
3. Proposed form of Escrow Agreement, by and between The Bank of New York Mellon Trust Company, N.A., as Escrow Bank, the City, and the Corporation (the "Escrow Agreement"); and
4. Proposed form of Release of Lien and Termination Agreement (the "Termination Agreement"), to be executed by the City and Corporation (the "Termination Agreement").

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF LOS ALAMITOS PUBLIC FACILITIES CORPORATION AS FOLLOWS:

SECTION 1. Legal Documents. The forms of the Agreements listed below which have been presented to this meeting are hereby approved and the President or the City Manager is hereby authorized and directed for and in the name and on behalf of the City to execute and deliver said agreements in the name of and on behalf of the City in the form hereby approved with such changes as the officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof:

1. The Trust Agreement;
2. The Lease Agreement; and
3. The Termination Agreement.
4. The Escrow Agreement.

SECTION 2. Modifications. The approval of said agreements given by this resolution shall apply to any modification or amendment of any of said agreements which is agreed upon and approved by Special Counsel to the City, the Financial Advisor, the President and the City Manager or the City Treasurer as being necessary to carry out the provisions thereof and the authorizations and direction provided in this resolution.

SECTION 3. Certificates of Participation. The form of the 2015 Certificates set forth in the Trust Agreement is approved, and the Corporation is authorized to execute and deliver the Certificates in an aggregate principal amount which shall not exceed \$4,075,000 and to apply, deposit, invest, administer and utilize the proceeds thereof as provided in the Trust Agreement. The President is authorized to participate with the City Manager and the City Treasurer in determining the final aggregate principal amount of the Certificates.

SECTION 4. Further Action. The President and the Secretary are authorized to take any and all action which is directed by Special Counsel to the City with respect to the execution, acknowledgment and delivery of the aforementioned agreements and the execution and delivery of the Certificates, which in the opinion of said Special Counsel is necessary in order for the authorizations and direction provided in this resolution to be carried out.

SECTION 5. Effective Date. This resolution shall take effect upon adoption.

ADOPTED this 10th day of August, 2015.

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President of the Board of Directors

ATTEST:

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Secretary of the Board of Directors

CERTIFICATE OF SECRETARY

I, Windmera Quintanar, the duly appointed and acting Secretary of Los Alamitos Public Facilities Corporation, do hereby certify that the foregoing resolution was adopted by the Board of Directors of said Corporation at a meeting of said Board of Directors held on the 10th day of August, 2015, by the following vote of the Directors:

AYES: Directors

NOES:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of Los Alamitos Public Facilities Corporation this \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Secretary of Los Alamitos Public Facilities  
Corporation

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF ORANGE )

I, Windmera Quintanar, Secretary of the Board of Directors of Los Alamitos Public Facilities Corporation, do hereby certify that the above and foregoing is a full, true and correct copy of a resolution of the Board of Directors of Los Alamitos Public Facilities Corporation adopted August 10, 2015, and that the same has not been amended or repealed.

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Secretary of the Board of Directors  
of Los Alamitos Public Facilities  
Corporation

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TRUST AGREEMENT

Relating to

CITY OF LOS ALAMITOS  
2015 CERTIFICATES OF PARTICIPATION

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

by and among

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

LOS ALAMITOS PUBLIC FACILITIES CORPORATION

and

THE CITY OF LOS ALAMITOS

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TRUST AGREEMENT

**THIS AGREEMENT**, dated as of \_\_\_\_\_ 1, 2015, by and among **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association duly organized and existing under the laws of the United States of America (the "Trustee"), **LOS ALAMITOS PUBLIC FACILITIES CORPORATION**, a California nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and the **CITY OF LOS ALAMITOS**, a city and municipal corporation, duly organized and existing under its charter and the Constitution and laws of said State (the "City");

WITNESSETH

WHEREAS, the City and the Corporation have heretofore entered into a Lease Agreement dated as of and May 1, 2006 (the "2006 Lease Agreement") and for purposes of financing the Project defined below, whereby the Corporation, on behalf of the City agreed to assist in the financing of certain public facilities, (the "Prior Project") and the City issued its 2006 Certificates of Participation (Laurel Park Acquisition) (the "2006 Certificates") secured by lease payments made under the 2006 Lease Agreement pursuant to a Trust Agreement dated as of May 1, 2006 (the "2006 Trust Agreement"); and

WHEREAS, for the purpose of refunding its outstanding 2006 Certificates of Participation (Laurel Park Acquisition) (the "2006 Certificates") and the financing of the design, acquisition and construction of certain public improvements (the "Project") the City proposes to cause to be issued \$ \_\_\_\_\_ aggregate principal amount (the "Certificates") under that certain Trust Agreement dated as of \_\_\_\_\_ 1, 2015 (the "Trust Agreement") by and among the City, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee; and

WHEREAS, in connection with such refinancing and the Project the City desires to lease Laurel Park (the "Leased Premises") to the Corporation and to lease the Leased Premises back from the Corporation pursuant to this Lease Agreement to the City being for the purpose (among others) of providing amounts sufficient to provide for the payment of the principal of and interest on the Certificates (as defined herein); and

WHEREAS, for the purpose of refinancing the Prior Project and financing the Project, the Corporation proposes to assign and transfer certain of its rights under the Lease to the Trustee, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation, each evidencing a proportionate interest in the Lease Payments and Prepayments to be made by the City under the Lease;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Trustee of its duties hereby imposed, and of the purchase and acceptance of the Certificates by the Owners thereof, and to fix and declare the terms and conditions upon which the Certificates are to be executed, delivered and accepted by all persons who shall from time to time be or become Owners thereof, and to secure the payment of the Certificates and the interest with respect thereto according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained therein, herein and in the Lease, the City by these presents does hereby grant, bargain, sell, release, convey, assign,

transfer and pledge unto the Trustee for the benefit of the Owners all its right, title and interest in and to all amounts on hand from time to time in the funds and accounts established hereunder and any additional property that may from time to time, by delivery or by writing of any kind, be subjected to the lien hereof by the City or by anyone on its behalf, subject only to the provisions of this Trust Agreement and the Lease;

To have and to hold all of the above unto the Trustee and its successors and assigns forever for the equal and ratable benefit of the Owners from time to time of all the Certificates executed and delivered hereunder and Outstanding, without any priority of one Certificate over any other, upon the trusts and subject to the covenants and conditions hereinafter set forth.

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

#### ARTICLE I DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified.

“2006 Certificates” means the \$3,365,000 original principal amount of 2006 Certificates of Participation (Laurel Park Acquisition).

“2006 Trust Agreement” means that certain Trust Agreement, dated as of May 1, 2006 by and among the Prior Trustee, the City and the Corporation authorizing the execution and delivery of the 2006 Certificates.

“Business Day” means a day (not including a Saturday or Sunday) on which banks are not required or authorized to remain closed in the city in which the Principal Corporate Trust Office is located.

“Certificates of Participation” or “Certificates” means the \$ \_\_\_\_\_ aggregate principal amount of City of Los Alamitos 2015 Certificates of Participation to be executed and delivered pursuant to this Agreement.

“City” means the City of Los Alamitos, a city and municipal corporation, duly organized and existing under the Constitution and laws of the State of California.

“City Representative” means the City Manager and the Director of Administrative Services of the City or a person authorized by the City Council to act on behalf of the City under or with respect to this Agreement.

“Closing Date” means the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser thereof.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement of the City, named therein given in favor of the Owners of the Certificates in connection with the sale of the Certificates to the Original Purchaser.

“Corporation” means the Los Alamitos Public Facilities Corporation, a California nonprofit public benefit corporation duly organized and existing under the laws of the State of California, its successors and assigns.

“Corporation Representative” means the President of the Corporation, the Treasurer of the Corporation or any person authorized to act on behalf of the Corporation under or with respect to the Trust Agreement as evidenced by a resolution conferring such authorization adopted by the Board of the Corporation.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the City or the Corporation relating to the execution, sale and delivery of the Lease Agreement or the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, costs of municipal certificate insurance, fees for execution, transportation and safekeeping of the Certificates, and charges and fees in connection with the foregoing.

“Delivery Costs Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Defeasance Obligations” means any of the following:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

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

“Escrow Agreement” means the Escrow Deposit and Trust Agreement dated as of \_\_\_\_\_, 2015, by and among the Escrow Bank, the City and the Corporation.

“Escrow Bank” means The Bank of New York Mellon Trust Company, N.A., as escrow bank under the Escrow Agreement.

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

“Fiscal Year” means the twelve-month period commencing on July 1 in any year and ending on June 30 of the following year.

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

“Information Services” means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as may be designated in a certificate of the City delivered to the Trustee.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to Article VI of this Agreement.

“Interest Payment Date” means each of the dates specified in Section 2.04 hereof on which interest is due and payable with respect to the Certificates.

“Lease Agreement” means the Lease Agreement, dated as of \_\_\_\_\_ 1, 2015, by and between the City and the Corporation, together with any duly authorized and executed amendment thereto.

“Lease Payment” means any payment required to be made by the City pursuant to Section 4.5 of the Lease Agreement, as set forth in Exhibit A to the Lease Agreement.

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

“Leased Premises” has the meaning set forth in the Lease Agreement.

“Net Proceeds” means any title or hazard insurance proceeds or condemnation award paid with respect to the Leased Premises remaining after payment therefrom of all expenses incurred in the collection thereof.

“Original Purchaser” means \_\_\_\_\_, as original purchaser of the Certificates.

“Outstanding,” when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 9.03 hereof) all Certificates theretofore executed and delivered by the Trustee under this Agreement except:

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

(2) Certificates for the payment or prepayment of which funds or Federal Securities in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 4.03 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.09 hereof.

“Owner” or “Certificate Owner” or “Owner of a Certificate” or any similar term, when used with respect to a Certificate, means the person in whose name such Certificate shall be registered.

“Permitted Encumbrances” has the meaning set forth in the Lease Agreement.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (The Trustee entitled to rely upon the investment direction of the City as a certification that such investment is a legal investment):

(1) Defeasance Obligations

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which may include the Trustee and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody's and “A-1” or “A-1+” by S&P and maturing not more than

360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

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

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

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

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

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

(8) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(9) Investment agreements with domestic or foreign banks, insurance companies other than a life or property casualty insurance company, or corporations the long-term debt or claims paying ability of which or, in the case of a guaranteed corporation, the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance company, claims paying ability or financial strength, of the guarantor is rated in at least the double A category by Standard & Poor's and Moody's; provided that, by the terms of the investment agreement:

(a) interest payment are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Certificates (if the funds invested pursuant to the investment agreement are from the Reserve Fund);

(b) the invested funds are available for withdrawal without penalty or premium, upon not more than seven (7) days' prior notice;

(c) the investment agreement shall provide that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) the City, the Corporation and the Trustee receive the opinion of domestic counsel (which opinion shall be addressed to the City) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the City;

(e) the investment agreement shall provide that if during its term:

(1) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within ten (10) business days after the provider's receipt of a written request from the Fiscal Agent to satisfy the foregoing, either (i) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the City, the Trustee, or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at one hundred five percent (105%) of securities identified in clauses (i) and (ii) of this definition; or (ii) assign the investment agreement and all of its obligations thereunder to, or enter into a repurchase agreement or such other agreement with a financial institution mutually acceptable to the provider in the City which is rated either in the first or second highest category by Standard & Poor's and Moody's; and

(2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the City or the Trustee, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the City or the Trustee; and

(f) the investment agreement shall provide and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this shall mean the Holder of the Collateral is in possession of such collateral); and

(g) the investment agreement shall provide that if during its term:

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the Direction of the City or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the City or the Trustee, as appropriate; and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the City or the Trustee, as appropriate.

(10) The Local Agency Investment Fund in the State Treasury of the State of California as permitted by the State Treasurer pursuant to Section 16429.1 of the California Government Code or any similar pooled investment fund administered by the State, to the extent such investment is held in the name and to the credit of the Trustee.

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

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers;

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

(c) As to any investment not specified above: the value thereof established by prior agreement among the Issuer and the Trustee.

"Prepayment" means any payment applied towards the prepayment of Lease Payments, in whole or in part, pursuant to Article X of the Lease Agreement as a prepayment of the Lease Payments.

"Principal Corporate Trust Office" means the principal corporate trust office of the Trustee at 700 South Flower Street, #500, Los Angeles, California 90017 except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Prior Certificates" means the 2006 Certificates.

"Prior Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee under the 2006 Trust Agreement.

"Project" has the meaning set forth in the Lease Agreement.

"Project Costs" means all costs of payment of, or reimbursement for, acquisition, construction and financing of the Project, including but not limited to, architect and engineering fees, construction contractor payments, costs of feasibility and other reports, inspection costs, permit fees, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee, legal fees and charges, financial and other professional consultant fees in connection with the foregoing.

"Project Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.02 hereof.

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

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, N.Y. 10041-0099, Attn. Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Corporation may designate in a Written Certificate of the Corporation delivered to the Trustee.

“State” means the State of California.

“Tax Code” means the Internal Revenue Code of 1986, as amended.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103 and 141 through 150, inclusive, of the Tax Code.

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

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

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as Trustee pursuant to this Agreement.

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

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

Section 1.03. Assignment. The Lease Agreement and all rights to receive Lease Payments and all other amounts payable thereunder, except the indemnification payments provided for the Corporation under Article VII of the Lease Agreement, are assigned hereunder without recourse by the Corporation to the Trustee. The Corporation by these presents does grant, bargain, sell, release, convey, assign, transfer, hypothecate and confirm unto the Trustee, its successors and assigns, and the Trustee accepts and assumes the following described property, rights, privileges and obligations, to wit:

(a) All estate, right, title and interest of the Corporation in and to and (except for the Corporation's rights set forth in Sections 5.8, 7.3 and 9.5 of the Lease Agreement) all duties and obligations of the Corporation under the Lease Agreement, including, without limitation, all Lease Payments and Additional Costs payable under such Lease Agreement and including all rights of the Corporation to exercise any election or option or to make any decision or

determination or to give any notice, consent, waiver or approval under or in respect of the Lease Agreement as well as all rights, powers and remedies on the part of the Corporation, whether arising under the Lease Agreement or by statute or at law or in equity, or otherwise, arising out of any event of default (as that term is defined in the Lease Agreement);

(b) all the moneys and securities deposited or required to be deposited with the Trustee pursuant to any term of this Trust Agreement not expressly held for the benefit of the City; and

(c) all proceeds of the foregoing.

The Corporation confirms the foregoing constitutes an immediate and present assignment to the Trustee under the terms of this Trust Agreement of (i) all rights of the Corporation to exercise any election or option or to make any decision or determination or to give any notice, consent waiver or approval under or in respect of the Lease Agreement, and (ii) all rights of the Corporation to receive the full amount of each Lease Payment and each payment of additional payments provided in Section 4.7 of the Lease Agreement excepting the indemnity provided for in Article VII payable to the Corporation under the Lease Agreement.

The Trustee hereby acknowledges and accepts assignment by the Corporation of the Lease Agreement, and acknowledges and accepts all of the rights of the Corporation under the Lease Agreement, except for the rights of the Corporation set forth in Sections 5.8, 7.3 and 9.5 of the Lease Agreement and except for the right of the Corporation to receive indemnification pursuant to Section VII of the Lease Agreement.

Concurrently with the delivery hereof, the Corporation is delivering to the Trustee the executed original counterpart of the Lease Agreement.

## ARTICLE II THE CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization. The Trustee is hereby authorized and directed upon written request from the Corporation to execute and deliver, to the Original Purchaser, Certificates in an aggregate principal amount of \$\_\_\_\_\_ evidencing proportionate ownership interests in the Lease Payments and the Prepayments.

Section 2.02. Date. Each Certificate shall be dated as of \_\_\_\_\_, 2015, and interest with respect thereto shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from the date of its execution; or (ii) it is executed after a Regular Record Date and before the next following Record Date, in which event interest with respect thereto shall be payable from the Interest Payment Date immediately succeeding the date of its execution; or (iii) it is executed prior to March 15, 2016 in which event interest with respect thereto shall be payable from April 1, 2016, provided, however, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest with respect to such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Such interest amounts are payable in lawful money of the United States of America by check or draft mailed on the applicable Interest Payment Date by first class mail by the Trustee to the Registered Owner thereof at his address as it appears on the

registration books of the Trustee, or by wire transfer to owners of \$1,000,000 or more in aggregate principal amount at such wire transfer address as such owner shall specify in writing requiring payment by wire transfer to the Trustee not less than twenty days prior to such Interest Payment Date.

Section 2.03. Maturity; Interest Rates. The Certificates shall mature on the dates and in the principal amounts, and interest with respect thereto shall be computed at the rates (based on a 360-day year comprised of twelve 30-day months) shown below:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Section 2.04. Form of Certificates; Interest. The Certificates shall be delivered in the form of fully registered Certificates without coupons in the denomination of \$5,000 or any integral multiple thereof, except that no fully registered Certificate may have principal maturing in more than one year. The Certificates shall be numbered in consecutive numerical order as the Trustee shall determine.

Interest with respect to the Certificates shall be payable on April 1, 2016 and thereafter semiannually on April 1 and October 1 of each year to and including the date of maturity or prepayment, whichever is earlier. Said interest shall represent the portion of the Lease Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Certificates. The proportionate share of the portion of Lease Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Lease Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate.

Section 2.05. Form. The Certificates and the assignment to appear thereon shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein.

Section 2.06. Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized officer of the Trustee.

Section 2.07. Application of Proceeds and Transferred Funds.

(a) The proceeds received by the Trustee from the sale of the Certificates shall forthwith be set aside by the Trustee in the following respective funds and accounts and in the following order of priority:

- (1) The Trustee shall deposit in the Project Fund the amount of \$\_\_\_\_\_.
- (2) The Trustee shall deposit the sum of \$\_\_\_\_\_ in the Escrow Fund.
- (3) The Trustee shall deposit in the Delivery Costs Fund the sum of \$\_\_\_\_\_.

(b) The proceeds, if any received by the Trustee in its capacity as Escrow Bank from the funds and accounts established pursuant to the 2006 Trust Agreement (consisting of \$\_\_\_\_\_ from the 2006 Reserve Fund and 2006 Lease Payment Fund) shall forthwith be set aside by the Trustee in the 2006 Escrow Fund established pursuant to the Escrow Agreement.

#### Section 2.08. Transfer and Exchange.

(a) Transfer of Certificates. Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.12 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. The Trustee shall require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the City. Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates for a like aggregate principal amount.

(b) Exchange of Certificates. Certificates may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the City. The Trustee shall not be required to register the transfer or exchange of any Certificate during the period the Trustee is selecting Certificates for prepayment or any certificate selected for prepayment.

Section 2.09. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity, as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out its duties under this Section. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate

alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Agreement with all other Certificates secured by this Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate in exchange for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate.

Section 2.10. Payment. Payment of interest due with respect to any Certificate on any Interest Payment Date shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check or draft mailed by first class mail to such Owner at his address as it appears on such registration books. The principal and prepayment price with respect to the Certificates shall be payable in lawful money of the United States of America upon surrender thereof at the corporate trust office of the Trustee.

Section 2.11. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Agreement (except as otherwise herein provided), if made in the following manner:

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

(b) The fact of the ownership of Certificates by any person and the amount, the maturity and the numbers of such Certificates and the date of his holding the same shall be proved by the registration books maintained pursuant to Section 2.12 hereof.

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

Section 2.12. Certificate Register. The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office sufficient books for the registration and transfer of the Certificates which shall at all times be open during regular business hours to inspection by the City and the Corporation; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

Section 2.13. CUSIP Numbers. "CUSIP" identification numbers shall be imprinted on the Certificates, but such numbers shall not constitute a part of the contract evidenced by the Certificates and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Certificates. In addition, failure on the part of the Trustee to use such CUSIP numbers in any notice to Owners shall not constitute an Event of Default or any violation of the Trustee's responsibilities towards such Owners and shall not impair the effectiveness of any such notice.

Section 2.14. Book-Entry Certificates.

(a) Book-Entry System; Limited Obligation of Corporation. The provisions of this Section 2.14 shall apply with respect to any Certificate registered to Cede & Co. or any other nominee of The Depository Trust Company ("DTC") while the Book-Entry Only System (meaning the system of registration described in this Section 2.14) is in effect. The Book-Entry Only System shall become effective thirty (30) days after the Owners of all the Certificates provide notice in writing to the Trustee, the City and the Corporation, subject to the provisions below concerning termination of the Book-Entry Only System. Until all of the Owners of the Certificates provide such notice, the Book-Entry Only System shall not be in effect. Upon the effectiveness of the Book-Entry System, the ownership of each such Certificate shall be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Thereafter, except as provided in subsection (e) of this Section 2.14, all of the Outstanding Certificates shall be registered in the registration books kept by the Trustee in the name of the Nominee.

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

transfers with respect to such Certificate and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest due with respect to the Certificates only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the City's obligations with respect to payment of principal, premium, if any, and interest due with respect to the Certificates to the extent of the sum or sums so paid. No Persons other than an Owner, as shown in the registration books kept by the Trustee, shall receive a Certificate evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Trust Agreement. Upon delivery by the Depository to the Trustee, the City and the Corporation of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Trust Agreement shall refer to such new nominee of the Depository.

(b) Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Certificates or (ii) the City determines that the Depository shall no longer so act, then the City will discontinue the book-entry system with the Depository. If the City fails to identify another qualified securities depository to replace the Depository then the Certificates so designated shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Certificates shall designate, in accordance with the provisions of this Trust Agreement.

(c) Payments to the Nominee. Notwithstanding any other provisions of this Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to premium, if any, and interest due with respect to such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

(d) Initial Depository and Nominee. The initial Depository under this Article shall be The Depository Trust Company, New York, New York. The initial Nominee shall be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

Section 2.15. Cancellation and Destruction of Certificates. All Certificates surrendered to the Trustee for payment upon maturity or for prepayment shall be cancelled upon payment therefor. The Trustee shall destroy such cancelled Certificates and provide to the City, upon request, a certificate of destruction duly executed by the Trustee.

### ARTICLE III DELIVERY COSTS FUND; PROJECT FUND

Section 3.01. Delivery Costs Fund. The Trustee shall establish a special fund designated as the "City of Los Alamitos 2015 Certificates of Participation Delivery Costs Fund"; shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein. There shall be deposited in the Delivery Cost Fund the proceeds of the sale of the Certificates required to be deposited therein pursuant to Section 2.07 hereof.

Moneys on deposit in the Delivery Costs Fund shall be applied to pay Delivery Costs to the extent that such fees and expenses are approved by the City. Such costs shall be payable upon receipt by the Trustee of a Written Requisition signed by a City Representative setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the person or person to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Delivery Costs Fund. Each such Written Requisition of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any moneys remaining in the Delivery Costs Fund six months after the Closing Date shall be transferred to the Lease Payment Fund.

Section 3.02. Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "City of Los Alamitos 2015 Certificates of Participation Project Fund." Except as otherwise provided herein, moneys in the Project Fund shall be used solely for the acquisition of the Project. The Trustee shall keep record of draws on the Project Fund by the withdrawal of such fund pursuant to a written requisition as in the form attached hereto as Exhibit B. Upon completion of the Project by the City, the Project Fund shall be closed and the Trustee shall transfer any funds contained therein to the Interest Account of the Lease Payment Fund.

Notwithstanding the foregoing provisions of this Section 3.02, upon the occurrence and continuation of an Event of Default under and as defined in Section 12.01(i), the Trustee shall immediately withdraw all amounts then on deposit in the Project Fund and apply such amounts in accordance with the provisions of Section 13.03.

#### ARTICLE IV PREPAYMENT OF CERTIFICATES

##### Section 4.01. Prepayment.

(a) Optional Prepayment. Certificates maturing on or after October 1, 20\_\_\_\_, are subject to prepayment in whole or in part from prepayments made at the option of the City pursuant to Section 10.2 of the Lease Agreement on or after October 1, 20\_\_\_\_ or any date thereafter, at a prepayment price equal to the principal amount thereof, without any premium together with interest accrued with respect thereto to the date fixed for prepayment.

(b) Prepayment From Net Proceeds of Insurance and Condemnation. The Certificates are also subject to mandatory prepayment on any date, in whole or in part, from the Net Proceeds of insurance or condemnation or sale of the Leased Premises, which Net Proceeds are deposited in the Lease Payment Fund and credited as a Prepayment made by the City pursuant to Section 10.3 of the Lease Agreement, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

(c) Mandatory Sinking Fund Prepayment. The Certificates maturing on October 1, 20\_\_\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_\_\_, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date  
(October 1)

Principal Amount of  
Certificates to be Prepaid

The Certificates maturing on October 1, 20\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date  
(October 1)

Principal Amount of  
Certificates to be Prepaid

The Certificates maturing on October 1, 20\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date  
(October 1)

Principal Amount of  
Certificates to be Prepaid

In the event that the Trustee shall prepay Certificates in part, but not in whole, pursuant to subsections (a) or (b) of this Section 4.01, the amount of the Certificates to be prepaid in each subsequent year pursuant to this subsection (c), shall be modified to correspond to the principal components of the Lease Payments prevailing following such prepayment. The City shall provide the Trustee with a revised schedule.

In providing for the prepayment of Certificates pursuant to this subsection (c) the Trustee may, at the written direction of the City, utilizing funds on deposit in the Lease Payment Fund, purchase in the open market Certificates in the full principal amount of the Certificates to be redeemed on any prepayment date, or any part thereof; provided that the City shall not direct the Trustee to purchase Certificates for such purpose after the seventy-fifth (75<sup>th</sup>) day preceding any such prepayment date, and provided further that the City shall not provide for the purchase of Certificates, at a purchase price for any Certificate which exceeds the principal amount thereof. If the Trustee purchases Certificates in a principal amount which is less than the full principal

amount of the Certificates to be redeemed on the succeeding prepayment date, the Trustee shall, at the written direction of the City, prepay Certificates in a principal amount equal to the remainder of the principal amount of Certificates to be redeemed on such prepayment date as provided in this subsection.

Section 4.02. Selection of Certificates for Prepayment. Except for sinking fund redemption pursuant to Section 4.01(c), whenever provision is made in this Agreement for the prepayment of Certificates and less than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment, from the Outstanding Certificates not previously called for prepayment, such that, as nearly as practicable, approximately equal principal, interest and mandatory sinking fund prepayment payments prevail with respect to the Certificates in each Fiscal Year following such prepayment as determined by the City. The Trustee shall select Certificates for prepayment by lot within a maturity in any manner which the Trustee shall in its sole discretion deem appropriate and fair. The Trustee shall promptly notify the City and the Corporation in writing of the Certificates so selected for prepayment.

Section 4.03. Notice of Prepayment. When prepayment is authorized or required pursuant to Section 4.01 hereof, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (a) that the Certificates or a designated portion thereof are to be redeemed, (b) the date of prepayment, and (c) the place or places where the prepayment will be made. Such notice shall further state that, if money has been deposited to the appropriate fund or account under this Trust Agreement, on the specified date there shall become due and payable upon each Certificate, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. The City shall have the right to rescind any notice of optional prepayment by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment and such cancellation shall not constitute an Event of Default under the Trust Agreement. The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

Notice of such prepayment shall be mailed by first class postage prepaid to the Securities Depositories and to one or more of the Information Services, to the managing member of such syndicate and to the respective Owners of Certificates designated for prepayment at their addresses appearing on the Certificate registration books at least thirty (30) days but not more than sixty (60) days prior to the prepayment date, which notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal thereof which is to be redeemed; provided that neither failure to receive such notice nor any immaterial defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

Section 4.04. Partial Prepayment of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the registered Owner thereof, at the expense of the City, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unrepaid portion of the Certificate surrendered and of the same interest rate and the same maturity. Such partial prepayment shall be valid upon payment

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

Section 4.05. Effect of Notice of Prepayment. Notice having been given as aforesaid, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on said date of prepayment, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount with respect thereto, plus premium, if any, and interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid together with interest to said date of prepayment, shall be held by the Trustee so as to be available therefor on said date of prepayment, and if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, interest with respect to the Certificates shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be redeemed.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of this Article shall be canceled upon surrender thereof and delivered to or upon the order of the City.

#### ARTICLE V LEASE PAYMENTS; LEASE PAYMENT FUND

Section 5.01. Assignment of Rights in Lease Agreement. The Corporation hereby transfers, assigns and sets over to the Trustee certain of its rights under the Lease Agreement as set forth below, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments, the Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant hereto but excluding the Corporation's right to consent pursuant to Section 8.2 of the Lease Agreement. All Lease Payments, Prepayments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of the Lease Payments and Prepayments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one business day after the receipt thereof, and all such Lease Payments, Prepayments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

Section 5.02. Establishment of Lease Payment Fund; Deposits. The Trustee shall establish a special fund designated as the "City of Los Alamitos 2015 Certificates of Participation Lease Payment Fund." All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the City and the Owners of the Certificates, and shall be used and applied by the Trustee as hereinafter set forth.

There shall be deposited in the Lease Payment Fund all Lease Payments and Prepayments received by the Trustee (except as provided in Section 6.04 hereof), including any moneys received by the Trustee for deposit therein pursuant to Article VI or X of the Lease Agreement,

and any other moneys required to be deposited therein pursuant to the Lease Agreement or pursuant to this Agreement.

Section 5.03. Application of Moneys. All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and the interest and prepayment premiums (if any) with respect to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II and Article IV hereof.

Section 5.04. Surplus. Any surplus remaining in the Lease Payment Fund, after prepayment and payment of all Certificates, including premiums (if any) and accrued interest, and payment of any amounts due to the Trustee, or provision for such prepayment and payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI  
INSURANCE AND CONDEMNATION FUND;  
INSURANCE; EMINENT DOMAIN

Section 6.01. Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award. Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Leased Premises collected by the City in the event of any such accident or destruction shall be transferred to the Trustee pursuant to Section 6.2 of the Lease Agreement and deposited by the Trustee in a special fund designated as the "Insurance and Condemnation Fund" to be applied and disbursed by the Trustee as provided in Section 6.2 (a) of the Lease Agreement.

Section 6.02. Application of Net Proceeds of Eminent Domain Award. If all or any part of the Leased Premises shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to Section 6.2(b) of the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) (1) If the City determines (i) that such eminent domain proceedings have not materially affected the operation of the Leased Premises or the ability of the City to meet any of its obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair or rehabilitation of the Leased Premises, the Trustee upon the written direction of the City shall transfer such proceeds to the Lease Payment Fund to be credited towards the Prepayment required to be paid pursuant to Section 10.3 of the Lease Agreement and applied to the prepayment of Certificates in the manner provided in Article IV hereof.

(2) If the City determines (i) that such eminent domain proceedings have not materially affected the operation of the Leased Premises or the ability of the City to meet any of its obligations under the Lease Agreement, and (ii) that such proceeds are needed for repair or rehabilitation of the Leased Premises, the Trustee upon the written direction of the City shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing of requisitions of the City Representative in the form required by Section 6.2(a) of the Lease.

(b) If (1) less than all of the Leased Premises shall have been taken in such eminent domain proceedings, and if the City determines and certifies to the Trustee that such eminent

domain proceedings have materially affected the operation of the Leased Premises or the ability of the City to meet any of its obligations under the Lease Agreement or (2) all of the Leased Premises shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the Prepayment required to be paid pursuant to Section 10.3 of the Lease Agreement and applied to the prepayment of Certificates in the manner provided in Article IV hereof.

(c) In making any such determination under this Section 6.02, the City may obtain, but shall not be required to obtain, the report of an independent engineer or other independent professional consultant. Any such determination by the City shall be final.

Section 6.03. Cooperation. The Corporation and the Trustee shall cooperate fully with the City at the expense of the City in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Lease Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Leased Premises or any part thereof.

## ARTICLE VII MONEYS IN FUNDS; INVESTMENT

Section 7.01. Held in Trust. The moneys and investments held by the Trustee under this Agreement are irrevocably held in trust for the benefit of the City and the Owners of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the City or any Owner of Certificates, or any of them.

Section 7.02. Investments Authorized. Moneys held by the Trustee hereunder, upon written order of the City Representative shall be invested and reinvested by the Trustee in specific Permitted Investments. Such investments, if registrable, shall be registered in the name of the Trustee for the benefit of the Certificate Owners and held by the Trustee. The Trustee may purchase from or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made, giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee may sell or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

The City and the Corporation acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City or the Corporation the rights to receive brokerage confirmations of security transactions as they occur, the City and the Corporation will not receive such confirmations to the extent permitted by law. The Trustee will furnish the City and the Corporation periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates

may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

In the absence of investment direction from the City, the Trustee shall invest solely in Permitted Investments specified in (6) of the definition thereof.

Section 7.03. Accounting. The Trustee shall furnish to the City a monthly statement of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Section.

Section 7.04. Allocation of Earnings. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein.

Section 7.05. Valuation of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at the lesser of cost or market value. For purposes of this Section 7.05, subject to the provisions set forth in the definition of Permitted Investments, the market value of any Permitted Investments shall be determined as follows:

(a) as to Permitted Investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), the value of such Permitted Investments shall be the average of the bid and asked prices for such investments so published on or most recently prior to the time of such determination.

(b) as to Permitted Investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, the value of such Permitted Investments shall be the average bid price at the time of such determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time of making a market in such investments;

(c) as to Permitted Investments consisting of certificates of deposit and bankers acceptances, the value of such Permitted Investments shall be the face amount thereof, plus accrued interest;

(d) as to any other Permitted Investments not specified above, the value of such Permitted Investments shall be the value thereof established by prior agreement between the City and the Trustee; and

(e) alternatively, the value of the above investments shall be determined as of the end of each month by the manner currently employed by the Trustee or any other manner consistent with industry standard.

If more than one of the above provisions of this Section 7.05 shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

Section 7.06. Deposit and Investment of Moneys in Funds. The Trustee may, and upon the written request of the City Representative shall, commingle any of the funds held by it pursuant to this Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

## ARTICLE VIII THE TRUSTEE

Section 8.01. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Trustee by the Corporation and the City for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Agreement. The Corporation and the City agree that they will maintain as Trustee a bank, national banking association or trust company having a principal office in Los Angeles, California, with a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by Federal or state authority, so long as any Certificates are outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to prepay the Certificates when duly presented for payment at maturity, or on prepayment, or on purchase by the Trustee prior to maturity, and to cancel all Certificates upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trustee shall be compensated by the City for its services rendered pursuant to the provisions of this Agreement. The Trustee's compensation shall not be limited by any law on compensation of a Trustee of an express trust, and the Trustee shall be reimbursed upon request for all reasonable out-of-pocket expenses incurred by it; such expenses shall include, but not be limited to, the reasonable compensation and out-of-pocket expenses of the Trustee's agents and counsel. The Trustee shall be reimbursed for any advances of its own funds with interest at the maximum rate allowed by law.

The City may, in the absence of an Event of Default, remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements of this Section 8.01.

The Trustee may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the City shall mail notice thereof to the Certificate Owners at their respective addresses set forth on the Certificate registration books maintained pursuant to Section 2.12 hereof. If the City fails to appoint a successor Trustee within thirty (30) days after receipt of such notice of resignation, the Trustee may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Every successor Trustee appointed pursuant to this shall be a trust company, a national banking association or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000.

Notwithstanding any other provision of this Trust Agreement, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of this Trust Agent, the Trustee shall consider the effect on the Owners as if there were no Insurance Policy.

Section 8.02. Liability of Trustee. The Trustee shall have only such duties and obligations as are expressly set forth herein; no implied duties shall be read into this Agreement against the Trustee. The recitals of facts, covenants and agreements herein and in the Certificates contained shall be taken as statements, covenants and agreements of the Corporation and the City, and the Trustee assumes no liability or responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Agreement or of the Certificates and shall not incur any liability or responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon the Trustee, including but not limited to the Trustee's obligations under Section 7.02 hereof.

Section 8.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 8.01, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 8.04. Protection and Rights of Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such Certificate shall be deposited with the Trustee and satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee in good faith and in accordance therewith.

Whenever in the administration of its duties under this Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the

City Representative or the Corporation Representative, and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Agreement in reliance thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may (i) become the Owner of Certificates with the same rights it would have if it were not the Trustee; (ii) acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and (iii) act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then outstanding.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

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

The Trustee shall not be responsible for the sufficiency or enforceability of the Lease or the assignment under this Agreement or the Lease of its rights to receive Lease Payments.

The Trustee shall not be deemed to have knowledge of an Event of Default hereunder or under the Lease unless and until it shall have actual knowledge thereof.

The Trustee is not accountable for the use of any funds disbursed by it in accordance with the provisions of this Trust Agreement.

The Trustee shall have no responsibility for, and makes no representations with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

Before taking any action under Article XII hereof or this Article, the Trustee may require indemnity satisfactory to the Trustee be furnished from any expenses and to protect it against any liability it may incur hereunder.

The immunities extended to the Trustee also extend to is directors, officers, employees and agents.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of majority (or other percentage provided for herein) in aggregate principal amount of Certificates outstanding relating to the exercise of any right, power or remedy available to the Trustee.

The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Trust Agreement provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

#### ARTICLE IX MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 9.01. Amendments Permitted. This Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the Owners of sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.03 hereof have been obtained and be filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest thereon, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate or (2) reduce or have the effect or reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 9.02 hereof.

This Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement (1) to add to the covenants and agreements of any party other covenants to be observed, or to surrender any right or power herein or therein reserved to the Corporation or the City, (2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, or (3) in regard to questions arising hereunder or

thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto, as the case may be.

Upon request, the City shall have provided to the Trustee an opinion of counsel that the supplemental Trust Agreement or Lease conforms to the requirements of this Section 9.01.

Section 9.02. Procedure for Amendment with Written Consent of Certificate Owners. In the event the consent of the Owners of the Certificates is required pursuant to Section 9.01 hereof, this Agreement and the Lease Agreement may be amended by supplemental agreement only upon compliance with the provisions of this Section 9.02. A copy of the proposed supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by the Trustee to each Owner of a Certificate at his address as set forth on the Certificate registration books maintained pursuant to Section 2.12 hereof, but failure to mail copies of any such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section provided.

Such a supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 9.03 hereof), and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.11 hereof. Any such consent shall be binding upon the owner of the Certificate giving such consent and on any subsequent owner thereof (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been given.

After the Owners of the required percentage of Certificates shall have filed their consents to such a supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates in the manner hereinbefore in this Section provided for the mailing of such supplemental agreements of the adoption thereof, stating in substance that the supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of such a supplemental agreement or consents thereto). Such a supplemental agreement shall become effective upon the mailing of the notice last mentioned above, and the supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of sixty (60) days after such mailing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 9.03. Disqualified Certificates. Certificates owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with, the City (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action provided for in this Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Agreement.

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

Section 9.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Agreement or the Lease Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the parties hereto or thereto, as the case may be, and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Agreement or the Lease Agreement, as the case may be, for any and all purposes.

Section 9.05. Endorsement or Replacement of Certificates Delivered After Amendments. The City may determine that Certificates delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the Trustee as to such action. In that case, upon demand of the Owner of any Certificate outstanding at such effective date and presentation of his Certificate at the hereinafter mentioned office of the Trustee, a suitable notation shall be made on such Certificate. The City may determine that new Certificates, so modified as in the opinion of the Trustee is necessary to conform to action taken pursuant to this Article IX, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such a new Certificate shall be exchanged for the Outstanding Certificate at the corporate trust office of the Trustee, without cost to the Owner, for a Certificate of the same character then outstanding, upon surrender of such Certificate.

Section 9.06. Amendatory Endorsement of Certificates. The provisions of this Article IX shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

## ARTICLE X COVENANTS; NOTICES

Section 10.01. Compliance With and Enforcement of Lease Agreement. The City covenants and agrees with the owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

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

Section 10.02. Payment of Taxes. The City will pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Leased Premises and the Site, or any part thereof, promptly as and when the same shall become due and payable; and the City will, upon request of the Trustee, from time to time keep the Trustee advised of such payments, and deliver such evidence thereof, as the Trustee may reasonably require. The City will not suffer the Leased Premises and the Site, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

Section 10.03. Observance of Laws and Regulations. The City will well and truly keep, observe and perform all valid and lawful obligations or requirements now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a municipal corporation, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 10.04. Prosecution and Defense of Suits. The City shall promptly, upon request of the Trustee, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Premises and the Site, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose, and shall indemnify and save the Trustee and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 10.05. Recordation and Filing. The City shall record and file the Lease Agreement, the Site and Second Parking Structure Lease Agreement and all such documents as may be required by law (together with whatever else may be necessary), all in such manner, at such times and in such places as may be required by law, in order fully to preserve, protect and perfect the security of the Trustee and the Certificate Owners.

Section 10.06. City Budgets. The City shall supply to the Trustee, at least forty-five (45) days after the adoption of the budget, a certificate that the City has made adequate provision in its proposed budget for the Fiscal Year for the payment of Lease Payments due under the Lease Agreement during the Fiscal Year. The certificate given by the City to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments due under the Lease Agreement in the then ensuing Fiscal year. If the City is unable to provide such Certificates the City will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the City in the then ensuing Fiscal Year for the payment of Lease Payments due under the Lease Agreement, and will notify the Trustee of the proceedings then taken or proposed to be taken by the City. The City will keep the Trustee advised of all proceedings thereafter taken by the City.

Section 10.07. Further Assurances. The Corporation and the City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement,

and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

Section 10.08. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Trust Agreement, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee shall, at the written request of any participating underwriter or the Owners of at least 25% aggregate principal amount of Certificates, but only to the extent the Trustee has been indemnified from and against any loss, cost, expense, claim or liability, including, without limitation, fees and expenses of attorneys and additional fees and expenses of the Trustee or any Certificate Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Section.

Section 10.09. Tax Covenants. The Corporation and the City hereby covenant with the Owners of the Certificates that:

(a) They will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial execution and delivery of Certificates authorized pursuant to Section 2.01, would have caused any of such Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended from time to time (the “Code”);

(b) They will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial execution and delivery of the Certificates authorized pursuant to Section 2.01 would result in loss of the exclusion from gross income for purposes of federal taxation under Section 103(a) of the Code, of interest paid with respect to such Certificates;

(c) They will not take any action or omit to take any action, which action or omission if reasonably expected on the date of initial execution and delivery of the Certificates authorized pursuant to Section 2.01, would have caused any of such Certificates to be “Private Activity bonds” within the meaning of Section 141 of the Code; and

(d) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Certificates, the City covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

The covenants of the Corporation and the City contained in this Section 10.09 shall survive the payment or defeasance of this Agreement pursuant to Section 13.01 hereof.

Section 10.10. Small Issuer Exemption from Bank Nondeductibility Restriction. The City hereby designates the Certificates for purposes of paragraph (3) of Section 265(b) of the Tax Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Tax Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in Section 141 of the Tax Code, except qualified 501(c)(3) bonds as defined in Section 145 of the

Tax Code, and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Certificates, has been or will be issued by the City, including all subordinate entities of the City, during the calendar year 2015.

## ARTICLE XI LIMITATION OF LIABILITY

Section 11.01. Limited Liability of City. Except for the payment of Lease Payments and Prepayments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the City contained in said agreement without limitation, including the payment of fees and expenses pursuant to Section 4.7 of the Lease Agreement, the City shall have no obligation or liability to any of the other parties hereto or to the Owners of the Certificates with respect to this Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

Section 11.02. No Liability for Trustee Performance. Except for those specific instances provided for herein where the Trustee must act as specifically requested or ordered by the City or the Corporation, neither the City nor the Corporation shall have any obligation or liability to any of the other parties hereto or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Agreement.

Section 11.03. Limited Liability of Trustee. The Trustee shall have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates, for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease Agreement, or for the actions or representations of any other party to this Agreement. The Trustee shall have no obligation or liability to any of the other parties or the Owners of the Certificates with respect to the failure or refusal of any other party to perform any covenant or agreement made by any of them under this Agreement or the Lease Agreement, but shall be responsible solely for the performance of the duties expressly imposed upon it hereunder. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

Section 11.04. Indemnification. The Corporation and the City agree to indemnify and save the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all liability, losses, costs, expenses, claims and damages suffered by it as a result thereof, where and to the extent any such claim, suit or action arises out of the acceptance or performance by the Trustee of its duties hereunder or under the Lease. Such indemnification shall not extend to claims, suits and actions brought against the Trustee for its own negligence or willful misconduct. In the event the Corporation or the City is required to indemnify the Trustee as herein provided, the Corporation or the City (as the case may be) shall be subrogated to the rights of the Trustee to recover losses or damages from any other person or entity. The Trustee may have its own counsel with respect to such claims, suits and actions, and such counsel shall be paid for by the City or the Corporation, whichever is appropriate, except in those instances where it is found by a court of competent jurisdiction that the Trustee acted negligently or that its misconduct was willful.

Such indemnification and right to compensation shall survive termination of this Agreement, resignation or removal of the Trustee or discharge of the Certificates.

Section 11.05. Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying on such an opinion or certificate.

Section 11.06. Limitation of Rights to Parties and Certificate Owners. Nothing in this Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the City, the Corporation, the Trustee and the owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provision hereof, and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Corporation, the Trustee and the Owners of the Certificates.

## ARTICLE XII EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 12.01. Events of Default Defined. The following shall be “Events of Default” under this Trust Agreement and the Lease Agreement and the terms “Event of Default” and “default” shall mean, whenever they are used in this Trust Agreement and the Lease Agreement, any one or more of the following events:

(i) Failure by the City to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified therein.

(ii) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease Agreement or herein, other than as referred to in clause (i) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, the Trustee, or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

Section 12.02. Remedies. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided,

however, that notwithstanding anything herein or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Section 12.03. Application of Funds. Notwithstanding anything to the contrary in Section 9.7 of the Lease Agreement, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XII or Article XIII of the Lease Agreement, (and any moneys in the Project Fund in the event of an Event of Default described in Section 12.01(i) hereof), shall be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Trustee, in declaring the Event of Default, including reasonable compensation to its agents, attorneys and counsel and then of the Certificate Owners in declaring the Event of Default and incurred in and about the performance of its powers and duties under the Trust Agreement and Lease Agreement, including reasonable compensation to its agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the rate of twelve percent (12%) per annum (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest, without preference or priority of principal over interest, or of interest over principal, or of any installments of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 12.04. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

Section 12.05. Non-waiver. Nothing in this Article XII or in any other provision of this Agreement, or in the Certificates, shall affect or impair the obligation of the City, which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce such payment. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XIII to the Trustee or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Section 12.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 12.07. Limitation of Certificate Owners, Right to Sue. No Owner of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, with respect to any remedy under or upon this Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and such tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or failure are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under this Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Agreement.

Section 12.08. Agreement to Pay Attorneys' Fees and Expenses. In the event the City or the Corporation should default under any of the provisions hereof and a non-defaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will, on demand therefor, pay to the non-defaulting party or parties the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party or parties.

No waivers shall be granted under this Trust Agreement without the prior written consent of the Insurer.

### ARTICLE XIII MISCELLANEOUS

Section 13.01. Defeasance. If and when all Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and prepayment premiums (if any) with respect to all Certificates Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Lease Payment Fund and the Reserve Fund, is fully sufficient to pay all Certificates Outstanding, including all principal and interest and premium, if any;

(c) by depositing with the Trustee, in trust, Defeasance Obligations in such amount as Trustee, based upon the report of an independent certified public accountant, shall determine will, together with the interest to accrue thereon, and moneys then on deposit in the Lease Payment Fund and the Reserve Fund, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Certificates Outstanding (including all principal, interest and prepayment premiums, if any) at or before their respective maturity dates; or

(d) by depositing with the Trustee, under an escrow deposit and trust agreement, security for the payment of Lease Payments as more particularly described in Section 10.1 of the Lease Agreement, said security to be held by the Trustee as agent for the City to be applied by the Trustee to pay the Lease Payments as the same become due and payable and make a Prepayment in full on any Prepayment Date, pursuant to Section 10.1 of the Lease Agreement; notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Corporation, the Trustee and the City with respect to all Outstanding Certificates shall cease and terminate and this Trust Agreement shall be discharged, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the City or from funds or securities deposited pursuant to paragraphs (b) through (d) of this Section, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d), the Certificates shall continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease Agreement.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) through (d) of this Section, which are not required for the payment to be made to Owners of the Certificates, shall be paid over to the City.

Section 13.02. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Agreement, which shall be available for inspection by the City, the Corporation and any Owner, or the agent of any of them, at any time during regular business hours upon reasonable prior notice.

Section 13.03. Notices. All written notices to be given under this Agreement shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the City: City of Los Alamitos  
3191 Katella Avenue  
Los Alamitos, CA 90720  
Attention: City Manager

If to the Corporation: Los Alamitos Public Facilities Corporation  
3191 Katella Avenue  
Los Alamitos, CA 90720  
Attention: Treasurer

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.  
700 South Flower Street, #500  
Los Angeles, CA 90017  
Attention:

Section 13.04. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State.

Section 13.05. Binding Effect; Successors. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Agreement either the Corporation, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the Corporation, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 13.06. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 13.07. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. Unless otherwise specifically indicated, all references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 13.08. Limitation of Rights to Parties and Certificates Owners. Nothing in this Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any person other than the Corporation, the City, the Trustee and the owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the City, the Trustee and the Owners of the Certificates.

Section 13.09. Waiver of Notice. Whenever in this Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 13.10. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant hereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 13.11. Parties Interested Herein. Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee, the Corporation, and the registered owners of the Certificates, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, the Corporation and the registered owners of the Obligations.

Section 13.12. Unclaimed Funds. Notwithstanding any provisions of this Trust Agreement and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, or interest with respect to, any Certificates and remaining unclaimed for two (2) years after of such Certificate has become due and payable (whether at maturity or upon call for redemption or otherwise as provided in this Trust Agreement), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when such Certificates became due and payable, shall be repaid to the City free from the trusts created by this Trust Agreement and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before repayment of such moneys to the City as aforesaid, the Trustee may (at the cost of the City first mail to the Owners of Certificates which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

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

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

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

LOS ALAMITOS PUBLIC FACILITIES  
CORPORATION

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

CITY OF LOS ALAMITOS

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

EXHIBIT A  
FORM OF CERTIFICATE

City of Los Alamitos  
2015 CERTIFICATE OF PARTICIPATION

Evidencing a Proportionate Interest of the  
Owner Hereof in Lease Payments to be Made by

THE CITY OF LOS ALAMITOS, CALIFORNIA

As the Rental for Certain Property  
Pursuant to a Lease Agreement with

LOS ALAMITOS PUBLIC FACILITIES CORPORATION

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

RATE OF INTEREST      MATURITY DATE      ORIGINAL  
ISSUE DATE      CUSIP

\_\_\_\_\_%

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner of this Certificate of Participation ("this Certificate"), is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and prepayments thereof under and as defined in that certain Lease Agreement (the "Lease Agreement") dated as of \_\_\_\_\_ 1, 2015, by and between the Los Alamitos Public Facilities Corporation, a California nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), and the City of Los Alamitos, California, a city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), which Lease Payments and prepayments and certain other rights and interests under the Lease Agreement have been assigned to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), having principal corporate trust offices at which it conducts its trust business in Los Angeles, California.

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Lease Agreement, on the Maturity Date specified above, the Principal Amount specified above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on April 1, 2016, and semiannually thereafter on April 1 and October 1 of each year (the "Interest Payment Dates"), until payment in full of said Principal Amount, the Registered Owner's proportionate share of the Lease Payments designated as

interest coming due during the six months immediately preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate (i) unless this Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) unless this Certificate is executed after the close of business on the fifteenth day of the month prior to an Interest Payment Date and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) unless this Certificate is executed prior to March 15, 2016, in which event interest shall be payable from the Dated Date specified above. Said proportionate share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the per annum Rate of Interest specified above. Such interest amounts are payable in lawful money of the United States of America by check or draft mailed by first class mail by the Trustee to the Registered Owner hereof at his address as it appears on the registration books of the Trustee, or by wire transfer to owners of \$1,000,000 or more in aggregate principal amount at such wire transfer address as such owner shall specify in writing requesting payment by wire transfer to the Trustee not less than twenty days prior to such Interest Payment Date.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement by and among the Trustee, the Corporation and the City, dated as of \_\_\_\_\_ 1, 2015 (the "Trust Agreement"). The City is authorized to enter into the Lease Agreement and the Trust Agreement under the Constitution and laws of the State of California. Reference is hereby made to the Lease Agreement and the Trust Agreement (copies of which are on file at the principal corporate trust office of the Trustee) for a description of the terms on which the Certificates are delivered, the rights thereunder of the Registered Owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Lease Agreement, to all of the provisions of which Lease Agreement and Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The City is obligated under the Lease Agreement to pay Lease Payments from any source of legally available funds (subject to certain exceptions) and the City has covenanted in the Lease Agreement to make the necessary annual appropriations therefor. The obligation of the City to pay the Lease Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments does not constitute a debt of the City, the State of California or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances, but in no event such that the interests of the Registered Owners of the Certificates are adversely affected as provided in the Trust Agreement. No such amendment may impair the right of any Registered Owner to receive in any case the Registered Owner's proportionate share of any Lease Payment or prepayment thereof, in accordance with the Registered Owner's Certificate, without the Registered Owner's express consent.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the principal corporate trust office of the Trustee in Los Angeles, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange for this Certificate. The City, the Corporation and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the City, the Corporation and the Trustee shall not be affected by any notice to the contrary. The recitals of facts, covenants and agreements in this Certificate shall be taken as statements, covenants and agreements of the City and the Trustee assumes no responsibility for the correctness thereof.

The Trustee has no obligation or liability to the Registered Owners of Certificates for the obligation of the City to make Lease Payments. The Trustee's sole obligation is to administer for the benefit of the Registered Owners of the Certificates and the City the various funds and accounts established under the Trust Agreement. The Trustee shall not be required to register the transfer or exchange of any Certificate during the period in which the Trustee is selecting Certificates for prepayment or as to any Certificate selected for prepayment.

The Certificates maturing after October 1, 20\_\_ are subject to prepayment in whole or in part among maturities such that approximately equal annual Lease Payments prevail following such prepayment, and by lot within a maturity from prepayments of Lease Payments made at the option of the City pursuant to the Lease Agreement, on October 1, 20\_\_ or any date thereafter, at a prepayment price equal to the principal amount thereof, without any premium, together with accrued interest to the date fixed for prepayment.

The Certificates are also subject to mandatory prepayment on any Interest Payment Date, in whole, or in part among maturities such that approximately equal annual Lease Payments prevail following such prepayment and by lot within a maturity, from the net proceeds of insurance or condemnation or sale of Project and sites credited towards the prepayment of the Lease Payments by the City pursuant to Section 10.3 of the Lease Agreement, at a prepayment price equal to the principal amount thereof together with accrued interest to the date fixed for prepayment, without premium.

The Certificates maturing on October 1, 20\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date (October 1)	Principal Amount of Certificates to be Prepaid
--------------------------------	---

The Certificates maturing on October 1, 20\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_, by lot, at a prepayment price

equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date ( <u>October 1</u> )	Principal Amount of <u>Certificates to be Prepaid</u>
---	--

The Certificates maturing on October 1, 20\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date ( <u>October 1</u> )	Principal Amount of <u>Certificates to be Prepaid</u>
---	--

If the Certificates maturing on October 1, 20\_\_\_, October 1, 20\_\_\_ and October 1, 20\_\_\_ are prepaid in part, other than pursuant to the mandatory sinking fund prepayment provisions of the Trust Agreement, the principal amount of the Certificates to be prepaid on each of the mandatory sinking fund prepayment dates set forth above shall be modified to correspond to the principal components of the Lease Payments prevailing following such partial prepayment.

As provided in the Trust Agreement, notice of prepayment shall be mailed, not less than thirty (30) nor more than sixty (60) days before the prepayment date, to the Registered Owner of this Certificate, but neither failure to mail such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment.

If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, interest shall cease to accrue with respect hereto from and after the date fixed for prepayment.

The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity. The Trustee is not liable for the obligations evidenced by the Certificates except from amounts held by it in its capacity as Trustee under the Trust Agreement.

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

Dated:

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

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

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned Certificate and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the Certificate register of the Trustee with full power of substitution in the premises.

Dated:

SIGNATURE GUARANTEED:

\_\_\_\_\_  
Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable by the Trustee.

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

EXHIBIT B

REQUISITION FOR DISBURSEMENT FROM PROJECT FUND

The undersigned, a duly authorized representative of the City of Los Alamitos, State of California hereby certifies to The Bank of New York Mellon Trust Company, N.A., the Trustee, for purposes of disbursing funds from the Project Fund to pay costs of traffic circulation improvements that:

The City is to pay to the payees set forth on Exhibit 1 hereto the amount set forth next to each payee's name for the item described on Exhibit 1 (which may include reimbursement of the City for costs previously incurred);

The conditions set forth in the Trust Agreement to the release of these amounts from the Improvement Fund have been satisfied and such account shall be reduced as a result of this disbursement in the amount set forth on Exhibit 1;

This obligation was incurred for the purposes set forth on Exhibit 1 hereto.

There has not been filed with or served upon the City notice of any lien, right to lien or attachment upon, stop notice or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on Exhibit 1 hereto which has not been released or will not be released simultaneously with the payment of such amounts, other than materialman's or mechanic's liens accruing by mere operation of law.

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

CITY OF LOS ALAMITOS

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

**EXHIBIT 1**

Payee

Amount Due

Purpose of  
Expenditure

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RECORDATION REQUESTED BY  
AND RETURN TO:

Best Best & Krieger LLP (KAB)  
3390 University Avenue, 5th Floor  
Riverside, CA 92506

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

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LEASE AGREEMENT

RELATING TO CITY OF LOS ALAMITOS  
2015 CERTIFICATES OF PARTICIPATION

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

\_\_\_\_\_

by and between

LOS ALAMITOS PUBLIC FACILITIES CORPORATION, as Lessor

and

THE CITY OF LOS ALAMITOS, as Lessee

---

---

Evidencing the lease of real property and improvements thereon between Lessee and Lessor and the sub-leasing thereof by the lessor and lessee.

LEASE AGREEMENT

**THIS LEASE AGREEMENT**, made as of \_\_\_\_\_ 1, 2015, is entered into by and between **LOS ALAMITOS PUBLIC FACILITIES CORPORATION**, a California nonprofit public benefit corporation (the "Corporation") and the **CITY OF LOS ALAMITOS**, a city and municipal corporation, duly organized and existing under its charter and laws of the State of California, as lessee (the "City").

WITNESSETH

**WHEREAS**, the Corporation is a non-profit public benefit corporation and is authorized to provide financing for public capital improvements of public entities including the City and to lease and lease back such public capital improvements; and

**WHEREAS**, for the purpose of refunding its outstanding 2006 Certificates of Participation (Laurel Park Acquisition) (the "2006 Certificates"), and to fund the construction and acquisition of additional public facilities, the City proposes to cause to be issued \$ \_\_\_\_\_ aggregate principal amount 2015 Certificates of Participation (the "Certificates") under that certain Trust Agreement dated as of \_\_\_\_\_ 1, 2015 (the "Trust Agreement") by and among the City, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee; and

**WHEREAS**, in connection with such refinancing and acquisition and construction of certain public improvements within the City (the "Project") the City desires to lease Laurel Park (the "Leased Premises") to the Corporation and to lease the Leased Premises back from the Corporation pursuant to this Lease Agreement to the City being for the purpose (among others) of providing amounts sufficient to provide for the payment of the principal of and interest on the Certificates (as defined herein); and

**WHEREAS**, the City is authorized pursuant to the laws of the State of California to enter into leasehold agreements for such purpose; and

**WHEREAS**, all the conditions to the execution and delivery of this Lease Agreement have been satisfied and the Corporation and the City are duly authorized to execute and delivery this Lease Agreement; and

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

**ARTICLE I**  
**DEFINITIONS AND EXHIBITS**

Section 1.1 **Definitions**. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease Agreement, have the meanings herein specified. Capitalized terms not otherwise defined in this Lease Agreement shall have the meaning given to them in the Trust Agreement.

“Certificates of Participation” or “Certificates” means the \$\_\_\_\_\_ aggregate principal amount of City of Los Alamitos 2015 Certificates of Participation to be executed and delivered pursuant to the Trust Agreement.

“Certificate Year” means the period commencing as of the Closing Date and ending October 1, 2016, and for each year thereafter the period commencing October 2 and ending on the next succeeding October 1.

“City” means the City of Los Alamitos, a city and municipal corporation duly organized and existing under the Constitution and laws of the State of California.

“City Representative” means the City Manager, the Director of Administrative Services or a person authorized by the City Council of the City to act on behalf of the City under or with respect to this Lease.

“Closing Date” means the day when the Certificates of Participation, duly executed by the Trustee, are delivered to the original purchaser thereof.

“Corporation” means Los Alamitos Public Facilities Corporation, a California nonprofit public benefit corporation organized and existing under and by virtue of the laws of the State of California and its successors and assigns.

“Corporation Representative” means the President of the Corporation, Treasurer of the Corporation, or any person authorized to act on behalf of the Corporation under or with respect to this Lease as evidenced by a resolution conferring such authorization adopted by the Board of the Corporation.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the City or the Corporation relating to the execution, sale and delivery of this Lease Agreement or the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, Certificate insurance premiums, fees for execution, transportation and safekeeping of the Certificates, and charges and fees in connection with the foregoing.

“Event of Default” means one or more events of default as defined in Article IX of this Lease.

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

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to Article VI of the Trust Agreement.

“Lease Agreement” or “Lease” means this Lease Agreement together with any duly authorized and executed amendment hereto.

“Lease Payment” means any payment required to be made by the City pursuant to Section 4.5 of this Lease and as set forth in Exhibit A attached to this Lease.

“Lease Payment Date” means the 15<sup>th</sup> day of the month prior to each Interest Payment Date with respect to the Certificates, and specifically the dates upon which the City is to make the Lease Payments pursuant to Section 4.5 of this Lease and as set forth in Exhibit A attached to this Lease.

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

“Leased Premises” means Laurel Park which is further described in Exhibit C to this Lease Agreement under the heading “Leased Premises.”

“Net Proceeds” means any insurance proceeds or condemnation award in excess of \$50,000, paid with respect to the Leased Premises, remaining after payment therefrom of all expenses incurred in the collection thereof.

“Owner” or “Certificate Owner” or “Owner of a Certificate”, or any similar term, when used with respect to a Certificate means the person in whose name such fully registered Certificate shall be registered.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of Article V hereof, permit to remain unpaid; (ii) this Lease Agreement; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law and which are contested in good faith by the City; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the City certifies in writing will not materially impair the use of the Leased Premises, and (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of this Lease and to which the Corporation and the City consent in writing which will not impair or impede the operation of the Leased Premises.

“Permitted Investments” shall have the meaning ascribed thereto in the Trust Agreement.

“Prepayment Date” means any date on which the City may exercise its option to prepay all or a portion of the remaining Lease Payments, as set forth in Exhibit B attached to this Lease.

“Prepayment Price” means the price to be paid by the City to exercise its option to prepay all or a portion of the remaining Lease Payments, on any prepayment Date, as set forth in Exhibit B attached to this Lease.

“Project” means the design, acquisition and construction of certain public improvements as further described in Exhibit D to this Lease Agreement under the heading “Project.”

“S&P” means Standard & Poor's Corporation, 25 Broadway, New York, New York 10004, a corporation organized and existing under the laws of the State of New York.

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

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as Trustee pursuant to the Trust Agreement.

“Trust Agreement” means the Trust Agreement, dated as of \_\_\_\_\_ 1, 2015, by and among the Trustee, the Corporation and the City, together with any duly authorized and executed amendment thereto.

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

Exhibit A: The schedule of Lease Payments to be paid by the City hereunder, showing the date and amount of each Lease Payment.

Exhibit B: The schedule of Prepayment Dates and corresponding Prepayment Prices.

Exhibit C: The descriptions of the real property constituting the Site, the Leased Premises to be leased hereunder and comprising the Prior Project.

Exhibit D: Description of the Project.

## ARTICLE II REPRESENTATIONS, COVENANTS AND WARRANTIES

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

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

(b) Authorization. The Constitution and the laws of the State of California authorize the City to enter into this Lease and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under all of this Agreement and the Trust Agreement, and the City has duly authorized and executed this Agreement.

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

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

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

(a) **Due Organization and Existence.** The Corporation is a California nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California, has power to enter into this Lease and the Trust Agreement; is possessed of full power to own and hold real and personal property, and to lease and sell the same; and has duly authorized the execution and delivery of all of the aforesaid Agreements.

(b) **No Encumbrances.** The Corporation will not pledge the Lease Payments or other amounts derived from the Leased Premises and from its other rights under this Lease, and will not mortgage or encumber the Leased Premises, except as provided under the terms of this Lease and the Trust Agreement.

(c) **No Violations.** Neither the execution and delivery of this Lease, or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Leased Premises, except Permitted Encumbrances.

(d) **No Assignments.** Except as provided herein, the Corporation will not assign this Lease, its right to receive Lease Payments from the City, or its duties and obligations hereunder to any other person, firm or entity so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.

### ARTICLE III DEPOSIT OF MONEYS; ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 3.1 **Deposit of Moneys.** On the Closing Date, the Corporation shall cause to be deposited with the Trustee the proceeds of sale of the Certificates pursuant to Section 2.07 of the Trust Agreement.

Section 3.2 **Deposit in Escrow Fund.** Monies shall be deposited in the Escrow Fund, which moneys shall be disbursed for the purpose of defeasing the 2006 Certificates on the first date set for prepayment thereof as provided in Section 2.07 of the Trust Agreement.

Section 3.3 **Payment of Delivery Costs.** Payment of all Delivery Costs shall be made from the moneys deposited with the Trustee in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance with Section 3.01 of the Trust Agreement.

Section 3.4 **Deposit to Project Fund.** Moneys shall be deposited in the Project Fund, which moneys shall be disbursed to finance the Project as provided in Section 3.2 of the Trust Agreement.

**ARTICLE IV  
AGREEMENT TO LEASE; TERMINATION OF  
THIS LEASE; LEASE PAYMENTS; TITLE TO THE LEASED PREMISES**

Section 4.1 **Lease; No Merger.** (a) In consideration of the payment of a lease payment of \$\_\_\_\_\_ by the Corporation and in consideration of the execution of this Lease Agreement by the City, and other good and valuable consideration, the City hereby leases to the Corporation, and the Corporation hereby leases from the City, the Leased Premises for the Term of this Lease Agreement, plus one week following the end of the Term of this Lease Agreement.

(b) The Corporation hereby leases the Leased Premises to the City, and the City hereby leases the Leased Premises from the Corporation, upon the terms and conditions set forth in this Lease Agreement.

(c) The City hereby takes possession of the Leased Premises on the Closing Date.

(d) The leasing by the Corporation to the City of the Leases Premises shall not effect or result in a merger of the City's leasehold estate pursuant to this Lease and its leasehold estate as lessor under the Lease and the Corporation shall continue to have and hold a leasehold estate in the Leased Premises throughout the term thereof and the term of this Lease.

Section 4.2 **Term of Lease.** The Term of this Lease shall commence as of \_\_\_\_ 1, 2015 and, unless sooner terminated as hereinafter provided, shall terminate on October 1, 20\_\_\_\_, unless, on October 1, 20\_\_\_\_, any Certificates are Outstanding, this Lease shall continue in full force and effect until 10 days after payment in full of all of the Certificates.

Section 4.3 **Termination of Term.** The Term of this Lease shall terminate upon the earliest of any of the following events:

(a) the exercise by the City of its option to purchase the Leased Premises and Site, on any Prepayment Date, by paying the applicable Prepayment Price as provided in Section 10.2(a) hereof;

(b) an Event of Default and the Corporation's election to terminate this Lease Agreement pursuant to Section 9.2 hereof; or

(c) the arrival of the last day of the Term of this Lease and payment of all Lease Payments and all other payments due hereunder.

Section 4.4 **Possession.** The City agrees to take possession of the Leased Premises.

Section 4.5 **Lease Payments.**

(a) Obligation to Pay. Subject to the provisions of Section 4.2 and Articles VI and X hereof, the City agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Leased Premises, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Exhibit A hereto. A portion of each Lease Payment shall be paid as, and represents payment of, interest. The interest component of each Lease Payment is set forth in Exhibit A hereto. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the

Lease Payments in part but not in whole pursuant to Article X hereof, and other amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. All Lease Payments for the Leased Premises for the period from the Closing Date to September 30, 2016 shall be for the use of the Leased Premises for such period of time. All Lease Payments for the Leased Premises and Site due during any twelve-month period beginning on October 1, 2016 shall be for the use of the Leased Premises for such twelve-month period.

(b) Effect of Prepayment. In the event that the City prepays all remaining Lease Payments pursuant to Article X hereof, the City's obligations under this Lease, including but not limited to the City's obligation to pay Lease Payments under this Section but excluding the City's obligation to pay the Trustee any Additional Payments due hereunder, shall thereupon cease and terminate. In the event the City prepays less than all the remaining principal components of the Lease Payments pursuant to Section 10.2(b) or Section 10.3 hereof, the principal components of the remaining Lease Payments shall be reduced such that approximately equal Lease Payments prevail, corresponding to the prevailing payments of principal and interest with respect to the outstanding Certificates; and the interest component of each subsequent remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed as a result of such prepayment.

(c) Fair Rental Value. The Lease Payments for the Leased Premises for each rental payment period during the Term of this Lease shall constitute the total rental for the Leased Premises, if any, for such rental payment period, and shall be paid by the City in each rental payment period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Premises during each such period for which said rental is to be paid. The parties hereto have agreed and determined that the total Lease Payments for the Leased Premises represent the fair rental value of the Leased Premises. In making such determination, consideration has been given to the cost of acquiring, improving, constructing, installing and financing the Leased Premises, other obligations of the parties under this Lease, the uses and purposes which may be served by the Leased Premises, and the benefits therefrom which will accrue to the City and the general public.

(d) Lease Payments to Constitute Current Expense of the City. The City and the Corporation understand and intend that the obligation of the City to pay Lease Payments and other payments hereunder constitutes a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or moneys of the City. Lease Payments due hereunder shall be payable only from current funds which are budgeted and appropriated, or otherwise legally available, for the purpose of paying Lease Payments or other payments due hereunder as consideration for use of the Leased Premises during the fiscal year of the City for which such funds were budgeted and appropriated or otherwise made legally available for such purpose. This Lease shall not create an immediate indebtedness for any aggregate payments which may become due hereunder. The City has not pledged the full faith and credit of the City, the State of California or any agency or department thereof to the payment of the Lease Payments or any other payments due hereunder, the Certificates or the interest thereon.

(e) Continuation of Lease. The City intends to continue this Lease and to pay the Lease Payments. The City reasonably believes that legally available funds of an amount sufficient to make all Lease Payments during the Term of this Lease can be obtained. The City covenants that it will take all procedural steps lawfully within its power to obtain and maintain funds from which all payments may be made, including provisions for such payments to the extent necessary in each budget submitted for the purpose of obtaining funding, using its bona fide best efforts to have such portion of the budget approved and exhausting all available administrative reviews and appeals in the event such portion of the budget is not approved.

(f) Budget and Appropriation. The City covenants to take such action as may be necessary to include all Lease Payments due hereunder in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. During the Term of this Lease, the City will furnish to the Trustee a certificate annually on or before the date which is sixty (60) days after the budget is approved by the City Council that it has complied with the requirements of this Section. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be duties imposed by law, and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City.

The City and the Corporation understand and intend that the obligation of the City to pay Lease Payments and other payments hereunder constitutes a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or moneys of the City. Lease Payments due hereunder shall be payable only from current funds which are budgeted and appropriated, or otherwise legally available, for the purpose of paying Lease Payments or other payments due hereunder as consideration for use of the Leased Premises during the Fiscal Year for which such funds were budgeted and appropriated or otherwise made legally available for such purpose. This Lease Agreement shall not create an immediate indebtedness for any aggregate payments which may become due hereunder. The City has not pledged the full faith and credit of the City, the State or any agency or department thereof to the payment of the Lease Payments or any other payments due hereunder, the Bonds or the interest thereon.

(g) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee pursuant to the Trust Agreement and the Assignment Agreement in trust, for the benefit of the Owners of the Certificates, and the City hereby assents to such assignment. The Corporation hereby directs the City, and the City hereby agrees, to pay to the Trustee at the Trustee's principal corporate trust office in Los Angeles, California, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the City pursuant to this Section 4.5 and all amounts payable by the City pursuant to Article X hereof.

(h) Rate on Overdue Payments. In the event the City should fail to make any of the payments required in this Section 4.5, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of

payment at the rate per annum equal to the average interest rate on the Certificates. Such interest, if received, shall be deposited in the Payment Fund.

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

**Section 4.7 Additional Payments.** In addition to the Lease Payments, the City shall pay when due all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation compensation and indemnification due to the Trustee, the preparation and delivery of Continuing Disclosure, and all costs and expenses of auditors, engineers and accountants, but excluding Delivery Costs (which shall be paid from moneys on the Delivery Costs Fund).

**Section 4.8 Substitution or Release of Leased Premises.** The City shall have, and is hereby granted, the option at any time and from time to time during the Term of this Lease Agreement, to substitute other land, facilities or improvements (the "Substitute Leased Premises") for the Leased Premises and Site or any portion thereof (the "Former Leased Premises") or to release a portion of the Leased Premises and Site (the "Released Premises") from the lien of this Lease Agreement, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution or release:

(a) The City shall take all actions and shall execute all documents required to subject the Substitute Leased Premises to the terms and provisions of this Lease Agreement, including the filing with the Corporation, and the Trustee an amended Exhibit C which adds thereto a description of the Substitute Leased Premises and deletes therefrom the description of the Former Leased Premises or the Released Premises, as applicable;

(b) (i) In the case of a substitution, the City shall determine and certify to the Corporation, and the Trustee that the fair rental value of the Substitute Leased Premises is at least equal to the fair rental value of the Former Leased Premises;

(ii) In the case of a release, the City shall determine and certify to the Corporation, and the Trustee that the fair rental value of the remaining Leased Premises after removal of the Released Premises is at least equal to the then remaining Lease Payments;

(c) In the case of a substitution, the City shall certify in writing to the Corporation, and the Trustee that the Substitute Leased Premises serve the public purposes of the City and constitute property which the City is permitted to lease under the laws of the State;

(d) In the case of a substitution, the City shall certify in writing to the Corporation, and the Trustee that the estimated useful life of the Substitute Leased Premises at least extends to the date on which the final Lease Payment becomes due and payable hereunder;

(e) In the case of a substitution other than with respect to the streets portion of the Leased Premises, the City shall obtain a CLTA policy of title insurance meeting the requirements of Section 5.6 with respect to any real property portion of the Substitute Leased Premises;

(f) In the case of a substitution, the substitution of the Substitute Leased Premises shall not cause the City to violate any of its covenants, representations and warranties made herein; and

(g) The City shall obtain and cause to be filed with the Trustee, and the Corporation an opinion of nationally-organized bond counsel stating that such substitution or release is permitted hereunder and does not cause the interest component of the Lease Payments to become includable in gross income for federal income tax purposes or subject to State of California personal income taxes.

From and after the date on which all of the foregoing conditions precedent to such substitution or release are satisfied, the Term of this Lease Agreement shall cease with respect to the Former Leased Premises or Released Premises, as applicable, and shall be continued with respect to the Substitute Leased Premises and the remaining Leased Premises and all references herein to the Former Leased Premises shall apply with full force and effect to the Substitute Leased Premises. The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution or release.

## ARTICLE V MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

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

The City shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or affecting the Leased Premises or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay

only such installments as are required to be paid during the Term of this Lease as and when the same become due.

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

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

**Section 5.3 Public Liability and Property Damage Insurance and Workers Compensation Insurance.** The City shall maintain or cause to be maintained, throughout the term of this Lease, a standard comprehensive general liability insurance policy or policies in protection of the City, the Corporation and its members, officers, agents and employees, and the Trustee. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Leased Premises. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$250,000 for damage to property (subject to a deductible clause of not to exceed \$200,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be

maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

The City will procure and maintain with responsible workers' compensation insurance against liability for compensation under the Workers Compensation Insurance and Safety Act of California or any act amendatory thereof or supplemental thereto, which insurance shall cover all persons employed in connection with the Leased Premises and the Site.

**Section 5.4 Fire and Extended Coverage Insurance.** The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, insurance against loss or damage to any structures constituting any part of the Leased Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such structures on the Leased Premises, or the aggregate coverage of all such policies on the Leased Premises shall at least equal the principal amount of the outstanding Certificates, whichever is greater (except that such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss). Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the City and may not be maintained in whole or in part in the form of self-insurance by the City. The Net Proceeds of such insurance shall be applied as provided in Section 6.2(a) hereof.

**Section 5.5 Rental Interruption or Use and Occupancy Insurance.** The City shall procure, and maintain throughout the Term of this Lease from and after the date when it takes possession of the Leased Premises rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any structures constituting any part of Leased Premises as a result of any of the hazards covered in the insurance required by Section 5.4 hereof, in an amount sufficient to pay the maximum Lease Payments with respect thereto payable in any twelve month period. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

**Section 5.6 Title Insurance.** Upon the execution and delivery of the Certificates the City will provide, at its own expense, one or more CLTA leasehold title insurance policies in the aggregate amount of not less than \$ \_\_\_\_\_ with respect to the City's leasehold interest in the Leased Premises. Said policy or policies shall insure the City's leasehold estate in the Leased Premises, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies shall be deposited with the Trustee in the Lease Payment Fund and shall be credited towards the prepayment of the remaining Lease Payments pursuant to Article VI hereof.

**Section 5.7 Insurance Net Proceeds; Form of Policies.** Each policy of insurance required by Sections 5.4, 5.5 and 5.6 hereof shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease, and shall

promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The City shall cause to be delivered to the Trustee annually a certificate signed by a City Representative stating that each of the insurance policies required by Sections 5.3, 5.4, 5.5 and 5.6 of this Lease are in full force and effect. The Trustee may conclusively rely upon such certificate as evidence that the City has complied with Sections 5.3, 5.4, 5.5 and 5.6 hereof.

**Section 5.8 Advances.** If the City shall fail to perform any of its obligations under this Article the Corporation or the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as soon as possible, with interest at the rate of twelve percent (12%) per annum from the date of the advance to the date of repayment.

**Section 5.9 Installation of City's Equipment.** The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Premises. All such items shall remain the sole property of such party, in which neither the Corporation nor the Trustee shall have any interest, and may be modified or removed by such party at any time provided that such party shall repair and restore any and all damage to the Leased Premises resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent the City and any sublessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Premises.

**Section 5.10 Liens.** The City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Premises, other than the respective rights of the Corporation and the City as herein provided and Permitted Encumbrances. Except as expressly provided in this Article V, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The City shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

**Section 5.11 Self-Insurance.** Any insurance required by this Agreement, except insurance required under Sections 5.4, 5.5 and 5.6 hereof, may be maintained by the City in the form of self-insurance. Such self-insurance shall be maintained on a basis which is actuarially sound as established by the City's risk manager or an independent insurance consultant which determination shall be made annually. Any deficiency shall be corrected within 60 days of the City becoming aware of such deficiency.

## Section 5.12 **Tax Covenants.**

(a) **Private Activity Bond Limitation.** The City and the Corporation shall assure that the proceeds of the Certificates are not so used as to cause the Certificates to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) **Federal Guarantee Prohibition.** The City and the Corporation shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

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

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

**Section 5.13 Payment of Rebatable Amounts.** The City agrees to furnish all information to, and cooperate fully with, the Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 10.09 of the Trust Agreement. If the City has provided the Trustee with the calculations of rebate pursuant to Section 10.09 of the Trust Agreement and the Trustee does not have on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, with respect to the Certificates) to make such payment as specified in such calculations, the Trustee shall promptly notify the City of such fact. Upon receipt of any such notice, the City shall promptly pay the amounts to be due and payable to the United States of America under such Section 10.09, such payments to be made in accordance with the applicable provisions of the Tax Code.

**Section 5.14 Change in Use.** The City covenants that in the event any portion of the Leased Premises and Site financed with proceeds of the Certificates is for any reason no longer in public use by the City while the Certificates are Outstanding, the City shall promptly prepay on the next date on which a prepayment can be timely made hereunder and under the Trust Agreement, that portion of the Certificates corresponding to the portion of the proceeds of the Certificates used to finance such portion of the Leased Premises (the “Change in Use Prepayment”) or confirm that the Change in Use Prepayment has previously been prepaid or otherwise take such action as the City may determine to be necessary to preserve the exemption from gross income for federal income tax purposes of interest with respect to the Certificates.

**Section 5.15 Bank Qualified.** The City has designated the Certificates and this Lease Agreement as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. The City has issued no tax-exempt obligations in calendar year 2015 other than the Certificates. The City represents that it will not issue tax-exempt obligations

(including the Certificates) in an aggregate amount of more than \$10,000,000 in the current calendar year.

**ARTICLE VI  
DAMAGE, DESTRUCTION AND EMINENT DOMAIN;  
USE OF NET PROCEEDS**

Section 6.1 **Eminent Domain.** If all of the Leased Premises shall be taken permanently under the power of eminent domain, the term of this Lease shall cease as of the day possession shall be so taken. If less than all of the Leased Premises shall be taken permanently, or if all of the Leased Premises or any part thereof shall be taken temporarily, under the power of eminent domain, (1) this Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments hereunder, but in no event shall the resulting Lease Payments be less than the amount required for the payment of the principal and interest with respect to outstanding Certificates as the same become due and payable.

Section 6.2 **Application of Net Proceeds.**

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any structure on the Leased Premises by fire or other casualty shall be deposited in the Insurance and Condemnation Fund by the Trustee promptly upon receipt thereof and, if the City determines that the replacement, repair, restoration, modification or improvement of such Leased Premises is not economically feasible or in the best interest of the City, the City shall so certify to the Trustee and then such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund and applied as provided in Section 10.3 hereof; provided, however, that in the event of damage or destruction of the Leased Premises in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of all outstanding Certificates. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed Leased Premises by the City, upon receipt of a requisition signed by the City Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the City.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award resulting from any event described in Section 6.1 hereof shall be deposited in the Insurance and Condemnation Award Fund to be held and applied by the Trustee pursuant to Section 7.02 of the Trust Agreement.

Section 6.3 **Abatement of Rental in the Event of Damage or Destruction.** The amount of the Lease Payments relating to structures on the Leased Premises shall be abated

during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy of the structures on the Leased Premises by the City. The amount of such abatement shall be determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Premises not damaged or destroyed. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease shall continue in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage or destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.3 in the event and to the extent that the Net Proceeds of rental interruption insurance are available for such purpose pursuant to Section 5.5 hereof and to the extent that amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated under this Section 6.3.

## ARTICLE VII DISCLAIMER OF WARRANTIES; ACCESS

Section 7.1 **Disclaimer of Warranties.** The Corporation makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Leased Premises or any item thereof, or any other representation or warranty with respect to the Leased Premises or any item thereof. In no event shall the Corporation be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease, or the Trust Agreement, or for the existence, furnishing or functioning of, or the City's use of the Leased Premises.

Section 7.2 **Access to the Leased Premises.** The City agrees that the Corporation and any Corporation Representative, and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Leased Premises. The City further agrees that the Corporation, any such Representative, and the Corporation's successors or assigns shall have such rights of access to the Leased Premises as may be reasonably necessary to cause the proper maintenance of the Leased Premises in the event of failure by the City to perform its obligations hereunder; provided, however, that the Corporation's assigns shall have no obligation to cause such proper maintenance.

Section 7.3 **Release and Indemnification Covenants.** The City shall and hereby agrees to indemnify and save the Corporation and its assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Leased Premises by the City, (ii) any breach or default on the part of the City in the performance of any of its obligations under this Lease, (iii) any act or negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Premises, (iv) any act or negligence of any assignee or sublessee of the City with respect to the Leased Premises, or (v) the acquisition, construction and installation of the Leased Premises. No indemnification is made under this Section or elsewhere in this Lease for willful misconduct, negligence, or breach of duty under this Lease by the Corporation, its officers, agents, employees, successors or assigns.

**ARTICLE VIII**  
**ASSIGNMENT, SUBLEASING; AMENDMENT; SECURITY INTEREST**

Section 8.1 **Assignment by the Corporation.** The Corporation's rights under this Lease, including the right to receive and enforce payment of the Lease Payments to be made by the City under this Lease have been assigned to the Trustee pursuant to the Trust Agreement, to which assignment the City hereby consents.

Section 8.2 **Assignment and Subleasing by the City.** This Lease may not be assigned by the City. The Leased Premises may not be subleased in whole or in part by the City without the written consent of the Corporation. Any such sublease shall be subject to all of the following conditions:

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

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

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

(iv) The City shall furnish the Corporation and the Trustee with a written opinion of nationally-recognized bond counsel, with respect to any such sublease, stating that such sublease shall not cause the interest component of the Lease Payments to become includable in gross income for federal income tax purposes or to become subject to State of California personal income taxes.

Section 8.3 **Amendment of this Lease.** Without the written consent of the Trustee, the City will not alter, modify or cancel, or agree or consent to alter, modify or cancel this Lease, excepting only as such alteration or modification may be permitted by Article IX of the Trust Agreement.

**ARTICLE IX**  
**EVENTS OF DEFAULT AND REMEDIES**

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

(i) Failure by the City to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.

(ii) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, the Trustee, or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; provided,

however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

**Section 9.2 Remedies on Default.** Whenever any Event of Default referred to in Section 9.1 hereof shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to this Lease; provided, however, that notwithstanding anything herein or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the City is expressly made a condition hereof and upon the breach thereof the Corporation may exercise any and all rights of entry and re-entry upon the Leased Premises, and also, at its option, with or without such entry, may terminate this Lease; provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry by the Corporation, the City shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease and the performance of all conditions herein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) In the event the Corporation does not elect to terminate this Lease in the manner herein provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-letting of the Leased Premises, or, in the event the Corporation is unable to re-let the Leased Premises, then for the full amount of all Lease Payments to the end of the Term of this Lease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinbefore provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Premises or the exercise of any other remedy by the Corporation. The City hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the City to enter upon and re-let the Leased Premises in the event of default by the City in the performance of any covenants herein contained to be performed by the City and to remove all personal property whatsoever situated upon the Leased Premises and to place such property in storage or other suitable place in the County of Orange, State of California, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-letting the Leased Premises and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The City hereby waives any and all claims for

damages caused or which may be caused by the Corporation in re-entering and taking possession of the Leased Premises as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Premises and all claims for damages to or loss of any property belonging to the City that may be in or upon the Leased Premises. The City agrees that the terms of this Lease constitute full and sufficient notice of the right of the Corporation to re-rent the Leased Premises in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the Corporation in effecting such re-renting or re-leasing shall constitute a surrender or termination of this Lease irrespective of the term for which such re-leasing or re-renting is made or the terms and conditions of such re-leasing or re-renting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City further waives the right to any rental obtained by the Corporation in excess of the Lease Payments and hereby conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-leasing the Leased Premises.

(b) In an event of default by the City hereunder, the Corporation at its option may terminate this Lease and re-rent or re-lease all or any portion of the Leased Premises. In the event of the termination of this Lease by the Corporation at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any reentry upon the Leased Premises by the Corporation in any manner whatsoever or the re-renting or re-leasing of the Leased Premises), the City nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring, payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-renting or re-leasing shall be the absolute property of the Corporation and the City shall have no right thereto, nor shall the City be entitled to any credit in the event of a deficiency in the rentals received by the Corporation from the Leased Premises. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the City of the election on the part of the Corporation to terminate this Lease. The City covenants and agrees that no surrender of the Leased Premises for the remainder of the Term hereof or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

**Section 9.3 No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Corporation or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law. To the extent that this Lease confers upon or gives or grants to the Trustee any right remedy or claim under or by reason of this Lease Agreement, the Trustee is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred given or granted.

Section 9.4 [Reserved]

Section 9.5 **Agreement to Pay Attorneys' Fees and Expenses.** In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.6 **No Additional Waiver Implied by One Waiver.** In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.7 **Application of Proceeds.** All Net Proceeds received from the release or other disposition of the Leased Premises or the Site, under this Article IX, and all other amounts derived by the Corporation or the Trustee as a result of an Event of Default hereunder, shall be transferred to the Trustee promptly upon receipt thereof and after payment of the fees and expenses of the Trustee, including, without limitation those of its attorneys, agents and advisors shall be deposited by the Trustee in the Acquisition Fund to be applied as provided for in Section 12.03 of the Trust Agreement.

Section 9.8 **Trustee and Certificate Owners to Exercise Rights.** Such rights and remedies as are given to the Corporation under this Article IX have been assigned by the Corporation to the Trustee under the Trust Agreement, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

**ARTICLE X  
PREPAYMENT OF LEASE PAYMENTS**

Section 10.1 **Security Deposit.** Notwithstanding any other provision of this Lease, the City may on any date secure the payment of Lease Payments by a deposit with the Trustee of: (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment Schedule set forth in Exhibit A hereto, or (ii) Defeasance Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys, Defeasance Obligations then on deposit in the Lease Payment Fund and Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates or by prepayment thereof pursuant to Section 10.2 hereof, as the City shall instruct at the time of said deposit. In the event of a deposit pursuant to this Section, all obligations of the City under this Lease, and all security provided by this Lease for said obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, Lease Payments from the deposit made by the City pursuant to this Section, and title to the Leased Premises and the Site shall vest in the City on the date of said deposit automatically and without further action by the City or the Corporation. Said

deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease.

**Section 10.2 Optional Prepayment.**

(a) In Whole. The City may exercise its option to purchase the Leased Premises, on any Prepayment Date, by paying the applicable Prepayment Price as shown in Exhibit B hereto, together with the interest component of the Lease Payment required to be paid on such Prepayment Date. Such Prepayment Price shall be deposited by the Trustee in the Lease Payment Fund to be applied to the prepayment of Certificates pursuant to Section 4.01(a) of the Trust Agreement. The City shall give the Trustee notice of its intention to exercise its option not less than sixty (60) days in advance of the date of exercise.

(b) In Part. The City may exercise its option to purchase a portion of the Leased Premises on any Prepayment Date by paying an amount equal to the principal components of the unpaid Lease Payments allocable to a component of the Leased Premises as set forth in Exhibit A hereto, together with the interest component of the Lease Payments required to be paid on such Prepayment Date, plus a premium equal to the premium to be paid under Section 4.01(a) of the Trust Agreement upon the prepayment of Certificates resulting from prepayment made pursuant to this paragraph (b). Such prepayment shall be deposited by the Trustee in the Lease Payment Fund to be applied to the prepayment of Certificates pursuant to Section 4.01(a) of the Trust Agreement. The City shall give the Trustee notice of its intention to exercise its option no less than sixty (60) days in advance of the date of exercise. In the event the City exercises its option to prepay Lease Payments in part, the City shall provide the Trustee with an amended Exhibit A hereto reflecting the new schedule of Lease Payments.

**Section 10.3 Mandatory Prepayment From Net Proceeds of Insurance, Eminent Domain or Sale.** The City shall be obligated to prepay the Lease Payments with respect to the Leased Premises, in whole or in part on any April 1 or October 1 from and to the extent of any Net Proceeds of insurance award or condemnation award or sale with respect to the Leased Premises and Site theretofore deposited in the Lease Payment Fund for such purpose pursuant to Articles V, VI, IX or X hereof or pursuant to Section 6.02 of the Trust Agreement. The City and the Corporation hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, if any, shall be credited towards the City's obligations under this Section.

**Section 10.4 Credit for Amounts on Deposit.** In the event of prepayment of the principal components of the Lease Payments in full under this Article X, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Lease Payment Fund or the Reserve Fund shall be credited towards the amounts then required to be so prepaid.

**ARTICLE XI  
MISCELLANEOUS**

Section 11.1 **Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in registered or certified form with postage fully prepaid:

If to the City:           City of Los Alamitos  
                                  3191 Katella Avenue  
                                  Los Alamitos, CA 90720  
                                  Attention: City Manager

If to the Corporation: Los Alamitos Public Facilities Corporation  
                                  3191 Katella Avenue  
                                  Los Alamitos, CA 90720  
                                  Attention: Treasurer

If to the Trustee:       The Bank of New York Trust Company, N.A.  
                                  700 South Flower Street, #500  
                                  Los Angeles, CA 90017  
                                  Attention: Corporate Trust Services

The Corporation and the City, by notice given hereunder, may designate different addresses for any entity listed to which subsequent notices, certificates or other communications will be sent.

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

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

Section 11.4 **Net-Net-Net Lease.** This Lease shall be deemed and construed to be a "net-net-net lease" and the City hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or setoffs whatsoever.

Section 11.5 **Further Assurances and Corrective Instruments.** The Corporation and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Premises and Site hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

Section 11.6 **Execution in Counterparts.** This Lease may be executed in several counterparts, each of which shall be original and all of which shall constitute but one and the same instrument.

Section 11.7 **Applicable Law.** This Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 11.8 **Corporation and City Representatives.** Whenever under the provisions of this Lease the approval of the Corporation or the City is required, or the Corporation or the City is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by the Corporation Representative and for the City by the City Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.9 **Captions.** The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease.

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

LOS ALAMITOS PUBLIC FACILITIES CORPORATION, as Lessor

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

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

CITY OF LOS ALAMITOS, as Lessee

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

EXHIBIT A  
SCHEDULE OF LEASE PAYMENTS

LEASE PAYMENTS

<u>Period</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual</u> <u>Debt Service</u>
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EXHIBIT B

SCHEDULE OF PREPAYMENT DATES  
AND PREPAYMENT PRICES

Optional Prepayment. Certificates maturing on or after October 1, 20\_\_, are subject to prepayment in whole or in part from prepayments made at the option of the City pursuant to Section 10.2 of the Lease Agreement on or after October 1, 20\_\_ or any date thereafter, at a prepayment price equal to the principal amount thereof, without any premium together with interest accrued with respect thereto to the date fixed for prepayment.

Mandatory Sinking Fund Prepayment. The Certificates maturing on October 1, 20\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date ( <u>October 1</u> )	Principal Amount of <u>Certificates to be Prepaid</u>
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The Certificates maturing on October 1, 20\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date ( <u>October 1</u> )	Principal Amount of <u>Certificates to be Prepaid</u>
---	--

The Certificates maturing on October 1, 20\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date ( <u>October 1</u> )	Principal Amount of <u>Certificates to be Prepaid</u>
---	--

EXHIBIT C

I. DESCRIPTION OF LEASED PREMISES

REAL PROPERTY IN THE CITY OF LOS ALAMITOS, COUNTY OF ORANGE, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE CENTER LINES OF THOSE CERTAIN PUBLIC HIGHWAYS COMMONLY KNOWN AS KATELLA AVENUE AND BLOOMFIELD STREET, SAID POINT OF INTERSECTION BEING THE SOUTHWEST CORNER OF SECTION 20, TOWNSHIP 4 SOUTH, RANGE 11 WEST, S.B.B. & M., AND RUNNING THENCE FROM SAID POINT OF BEGINNING, EASTERLY ALONG THE SOUTH LINE OF SAID SECTION 20, 522.72 FEET; THENCE NORTHERLY PARALLEL WITH THE WEST LINE OF SAID SECTION 20, 1320.15 FEET TO THE NORTH LINE OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SAID SECTION 20; THENCE WESTERLY ALONG SAID NORTH LINE, 522.72 FEET TO THE WEST LINE OF SAID SECTION 20; THENCE SOUTHERLY ALONG SAID WEST LINE TO THE SOUTHWEST CORNER OF SAID SECTION 20 AND THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION INCLUDED WITHIN THE RIGHT OF WAY OF THE SOUTHERN PACIFIC RAILROAD COMPANY, AS DESCRIBED IN THE DEED RECORDED JANUARY 13, 1887 IN BOOK 29 PAGE 328 OF DEEDS OF ORANGE COUNTY.

EXHIBIT D  
II. DESCRIPTION OF PROJECT

The public improvements eligible to be financed include, but are not limited to, Los Alamitos Boulevard revitalization project, upgrade of curb ramps and sidewalks for compliance with the assessments with disabilities act, replacement of parks and playgrounds, rubberized ground cover, Little Cottonwood septic tank project, Old Dutch Haven Street rehabilitation, alley improvements, school traffic improvements, Old Dutch Haven block wall and purple pipe improvements.







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RECORDING REQUESTED BY AND  
WHEN RECORDED RETURN TO:

Best Best & Krieger LLP (KAB)  
3390 University Avenue, 5th Floor  
Riverside, California 92501

RELEASE OF LIEN AND TERMINATION AGREEMENT RELATING TO THE  
CITY OF LOS ALAMITOS  
2006 CERTIFICATES OF PARTICIPATION

This RELEASE OF LIEN AND TERMINATION AGREEMENT, made and entered into as of \_\_\_\_\_, 2015, by and among the City of Los Alamitos, the Los Alamitos Public Facilities Corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, the City has previously caused the execution, delivery and sale of its \$3,365,000 City of Los Alamitos 2006 Certificates of Participation (Laurel Park Acquisition) (the "2006 Certificates"), pursuant to a Trust Agreement dated as of May 1, 2006, by and among the City, the Corporation and the Trustee (the "2006 Trust Agreement") which evidence interests of the owners thereof in certain lease payments to be made by the City to the Corporation with respect to the property described in Exhibit A attached hereto (the "Property") pursuant to the terms of a Lease Agreement dated as of May 1, 2006 by and between the City and the Corporation; and

WHEREAS, the City, the Corporation and the Trustee have caused the recordation of each of the aforementioned agreements in the official records of the office of the Recorder of Orange County as follows:

- (a) The Lease Agreement recorded as Document No. 2006000345537 on May 23, 2006.

WHEREAS, the City has defeased all of the 2006 Certificates as of the date hereof; and

WHEREAS, the parties desire to cause the filing of this Agreement in the official records of the Recorder of Orange County to release and terminate any and all liens and encumbrances on the Property relating to the 2006 Certificates to allow for the leasing of the Property free and clear of any such liens or encumbrances; and

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. The foregoing recitals are true and correct and by this reference are incorporated herein. The parties hereto acknowledge and agree that any lien or encumbrance on the Property

created by the Lease Agreement (the "Lease Agreement") is hereby terminated and released and the Agreement is hereby terminated.

2. The Trustee hereby acknowledges that the 2006 Certificates have been defeased pursuant to the terms of the 2006 Trust Agreement.

3. The parties have read this Agreement and the mutual releases contained in it and have freely and voluntarily entered into this Agreement.

4. This Agreement shall be binding on and inure to the benefit of the parties and their successors only upon the irrevocable deposit of the Defeasance Amount with the Trustee. Such deposit shall be construed to be conditions precedent to any release, termination or benefit contained in this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed each on its behalf as of the day and year first above written.

CITY OF LOS ALAMITOS

By: \_\_\_\_\_  
Chief Executive Officer

LOS ALAMITOS PUBLIC FACILITIES

By: \_\_\_\_\_  
Executive Director

The Bank of New York Mellon Trust Company, N.A.,  
as trustee

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

EXHIBIT A

DESCRIPTION OF THE PROPERTY







**ESCROW DEPOSIT AND TRUST AGREEMENT**

**by and among the**

**CITY OF LOS ALAMITOS,**

**LOS ALAMITOS PUBLIC FACILITIES CORPORATION**

**and**

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

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

## ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT is dated as of the 1st day of \_\_\_\_\_, 2015, by and among the CITY OF LOS ALAMITOS, a municipal corporation organized and existing by virtue of the laws of the State of California (the "City"), the LOS ALAMITOS PUBLIC FACILITIES CORPORATION, a non-profit public benefit corporation organized and existing under the laws of the State of California (the "Corporation") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Bank (the "Escrow Bank");

### WITNESSETH:

WHEREAS, the City and the Corporation have heretofore entered into an Lease Agreement, dated as of May 1, 2006 (the "Prior Agreement");

WHEREAS, payments by the City of lease payments pursuant to the Prior Agreement (the "Prior Payments") are applied to the payment of the \$3,365,000 original principal amount of the City of Los Alamitos 2006 (Laurel Park Acquisition) Certificates of Participation (the "Prior Certificates");

WHEREAS, the Prior Agreement provides that in the event that the City deposits, or causes the deposit on its behalf of, moneys and certain Federal Securities (as defined in the Prior Agreement) in an amount, together with investment earnings and certain funds held under the Prior Indenture (defined below), sufficient to pay and discharge all or a portion of the indebtedness of the Prior Agreement at or before maturity, then the obligations of the City under the Prior Agreement shall cease and terminate with respect to the obligations so discharged, except only the obligation of the City to pay or cause to be paid to the Corporation all sums due thereon out of the Escrow Fund with respect to the obligations so discharged and thereafter such Lease Payments (as defined in the Prior Agreement) shall be released from the lien of the Prior Agreement; and

WHEREAS, pursuant to a Trust Agreement, relating to and dated as of the same date as the Prior Agreement, by and among the District, the Corporation and the Prior Trustee (the "Prior Indenture"), the Prior Certificates were issued, secured in part by the Prior Payments; and

WHEREAS, the City has determined that it is in the best interests of the City at this time to refinance the City's obligation to make the lease payments under the Prior Agreement and, as a result thereof, to pay such lease payments through and including September 1, 2016 and to prepay such remaining lease payments on said September 1, 2016 at a prepayment price of 103% of the principal amount thereof, plus accrued interest; and

WHEREAS, the City proposes to make the deposit of moneys and Federal Securities referenced in the Prior Agreement and to appoint the Escrow Bank as its agent for the purpose of applying said deposit to the prepayment of lease payments in accordance with the instructions provided by this Escrow Deposit and Trust Agreement and of applying said lease payments to

the payment and redemption of the Prior Certificates in accordance with the Prior Indenture and Prior Agreement, and the Escrow Bank will accept said appointment; and

WHEREAS, to obtain moneys to make such deposit, the Corporation proposes to issue its \$ \_\_\_\_\_ 2015 Certificates of Participation (the "Certificates") pursuant to that certain Trust Agreement, dated as of \_\_\_\_\_ 1, 2015 (the "Trust Agreement"), by and among the Corporation, the City and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"); and

WHEREAS, the City wishes to make such a deposit with the Escrow Bank and to enter into this Escrow Deposit and Trust Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited; and

WHEREAS, the Escrow Bank has full powers to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to this Escrow Deposit and Trust Agreement.

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

Section 1. Definition of Federal Securities. As used herein, the term "Federal Securities" means direct non-callable obligations of the United States of America, Refcorp interest strips, or securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America has been pledged to any such obligation or guarantee.

Section 2. Appointment of Escrow Bank. The City and the Corporation hereby appoint the Escrow Bank as escrow bank for all purposes of this Escrow Deposit and Trust Agreement and in accordance with the terms and provisions of this Escrow Deposit and Trust Agreement, and the Escrow Bank hereby accepts such appointment.

Section 3. Establishment of Escrow Fund. There is hereby created by the City and the Corporation with, and to be held by, the Escrow Bank, as security for the payment of the Prior Payments as hereinafter set forth, an irrevocable escrow to be maintained in trust by the Escrow Bank on behalf of the City and the Corporation and for the benefit of the owners of the Prior Certificates, said escrow to be designated the "Escrow Fund." All moneys and Federal Securities deposited in the Escrow Fund shall be held as a special fund for the payment of the lease payments in accordance with the provisions of the Prior Agreement. If at any time the Escrow Bank shall receive actual knowledge that the moneys and Federal Securities in the Escrow Fund will not be sufficient to make any payment required by Section 5 hereof, the Escrow Bank shall notify the City of such fact and the City shall immediately cure such deficiency. The Escrow Bank shall not be liable for such deficiency.

Section 4. Deposit into Escrow Fund; Investment of Amounts. Concurrently with delivery of the Certificates, the City and Corporation shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$ \_\_\_\_\_ in immediately available funds.

Proceeds of the Certificates in the amount of \$ \_\_\_\_\_ shall be deposited in the Escrow Fund together with proceeds of the Prior Certificates, if any, in the amount of \$ \_\_\_\_\_.

The Escrow Bank shall invest all of the moneys deposited into the Escrow Fund pursuant to the preceding paragraph in the Federal Securities set forth in Exhibit A attached hereto and by this reference incorporated herein (the "Escrow Securities"). The purchase price of the Escrow Securities is \$ \_\_\_\_\_. The remainder in the Escrow Fund (\$ \_\_\_\_\_) shall be held in cash uninvested (the "Cash"). The Escrow Securities shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

The Escrow Bank shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Escrow Deposit and Trust Agreement and in full compliance with the provisions hereof.

If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of state and local government series securities ("SLGS") that is to be submitted pursuant to this Escrow Deposit and Trust Agreement, the Escrow Bank shall promptly request alternative written investment instructions from the City with respect to funds which were to be invested in SLGS. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the City. In the absence of investment instructions from the City, the Escrow Bank shall not be responsible for the investment of such funds or interest thereon. The Escrow Bank may conclusively rely upon the City's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

Section 5. Instructions as to Application of Deposit. The City and the Corporation hereby irrevocably direct and instruct the Escrow Bank to cause to be applied the interest on and maturing principal amount of the Escrow Securities and Cash to pay the lease payment on each interest payment date through and including September 1, 20\_\_ and to prepay the remaining Prior Payments in full on September 1, 20\_\_ at a prepayment price of \_\_\_\_\_% of the principal amount hereof, all as more particularly set forth in Exhibit B attached hereto and hereby made a part hereof. For such purpose of call and redemption prior to maturity of the Prior Certificates, the Corporation hereby instructs the Escrow Bank, and the Escrow Bank, hereby agrees to give notice of redemption of the Prior Certificates, such notice of redemption to be given timely for redemption of the Prior Certificates on the dates indicated in Exhibit C, in accordance with the applicable provisions of the Prior Indenture.

Section 6. Application of Certain Terms of Prior Indenture. All of the terms of the Prior Indenture relating to the making of payments of principal and interest with respect to the Prior Certificates are incorporated in this Escrow Deposit and Trust Agreement as if set forth in full herein. The provisions of the Prior Indenture relating to the limitations from liability and protections afforded the Prior Trustee and the resignation and removal of the Prior Trustee are also incorporated in this Escrow Deposit and Trust Agreement as if set forth in full herein and

shall be the procedure to be followed with respect to any resignation or removal of the Escrow Bank hereunder.

Section 7. Compensation to Escrow Bank. The City shall pay the Escrow Bank full compensation for its duties under this Escrow Deposit and Trust Agreement, including out-of-pocket costs such as publication costs, prepayment or redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, fees, costs and expenses relating to the purchase of any Federal Securities after the date hereof, pursuant to a separate agreement between the City and the Escrow Bank. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

Section 8. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Deposit and Trust Agreement unless the City shall have deposited sufficient funds with the Escrow Bank to satisfy such obligation. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the City or its agents relating to any matter or action as Escrow Bank under this Escrow Deposit and Trust Agreement.

The Escrow Bank undertakes such duties as specifically set forth herein and no implied duties or obligations shall be read into this Escrow Deposit and Trust Agreement against the Escrow Bank.

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 hold harmless the Escrow Bank and its respective successors, assigns, agents, officers, directors, employees and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Deposit and Trust Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Deposit and Trust Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; *provided, however*, that the City shall not be required to indemnify the Escrow Bank against its own negligence or misconduct. The indemnities contained in this Section 10 shall survive the termination of this Escrow Deposit and Trust Agreement and the earlier removal or resignation of the Escrow Bank. The Escrow Bank shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Bank be liable for any special, indirect or consequential damages. The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Federal Securities deposited with it to pay the principal, interest or premiums, if any, on the Bonds.

Section 9. Amendment. This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the

written consents of the owners of one hundred percent (100%) in aggregate principal amount of the Prior Certificates then outstanding shall have been filed with the Escrow Bank. This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the City, (2) to cure, correct or supplement any ambiguous or defective provision contained herein, (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the owners of the Prior Certificates or the Bonds (assuming, for such purposes, that the payment of the Prior Certificates is not insured), and that such amendment will not cause interest on the Prior Certificates or the Bonds to become subject to federal income taxation. Notwithstanding the foregoing, this Escrow Agreement shall not be amended without the prior written consent of the Insurer, as defined in the Trust Agreement.

Section 10. Termination; Unclaimed Money. This Escrow Deposit and Trust Agreement shall terminate when the Prior Payments have been paid; *provided, however*, that (i) money held by the Escrow Bank pursuant to this Escrow Agreement for the payment and discharge of any of the Prior Payments (which shall not be payable as to interest from and after the date set for redemption) which remain unclaimed for two (2) years after such payments were due, shall be repaid by the Escrow Bank to the City free from the trust created by the Prior Indenture and this Escrow Deposit and Trust Agreement, and the Escrow Bank shall thereupon be released and discharged with respect thereto and hereto and all liability of the Escrow Bank with respect to such money shall thereupon cease and (ii) excess moneys held by the Escrow Bank not needed for the payment and discharge of the Prior Payments shall be transferred to the Bond Fund under the Indenture.

Section 11. Severability. If any section, paragraph, sentence, clause or provision of this Escrow Deposit and Trust Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Escrow Deposit and Trust Agreement.

Section 12. Notice of Escrow Bank, Corporation and the City. Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the principal corporate trust office of the Escrow Bank as specified by the Escrow Bank as Prior Trustee in accordance with the provisions of the Prior Indenture or by physical delivery with confirmation of receipt or by confirmed telecopy. Any notice to or demand upon the City or the Corporation 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 such party as provided in the Prior Agreement (or such other address as may have been filed in writing by the City or the Corporation with the Escrow Bank).

The Escrow Bank shall have the right to accept and act upon directions given pursuant to this Escrow Deposit and Trust Agreement and delivered using Electronic Means ("Electronic Means" means the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes,

passwords and/or authentication keys, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Escrow Bank an incumbency certificate listing authorized officers with the authority to provide such directions and containing specimen signatures of such authorized officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Bank directions using Electronic Means and the Escrow Bank in its discretion elects to act upon such directions, the Escrow Bank's understanding of such directions shall be deemed controlling. The City understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such directions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an authorized officer listed on the incumbency certificate provided to the Escrow Bank have been sent by such authorized officer. The City shall be responsible for ensuring that only authorized officers transmit such directions to the Escrow Bank and that all authorized officers treat applicable user and authorization codes, passwords and/or authentication keys with extreme care. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such directions notwithstanding such directions conflict or are inconsistent with a subsequent written direction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Escrow Bank and that there may be more secure methods of transmitting directions than the method(s) selected by the City; and (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

Section 13. Merger or Consolidation of Escrow Bank. Any company into which the Escrow Bank may be merged or converted or with which may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to act as Trustee under the Indenture and the Prior Indenture, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

Section 14. Execution in Several Counterparts. This Escrow Deposit and Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall constitute but one and the same instrument.

Section 15. Governing Law. This Escrow Deposit and Trust Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the Corporation, the City and the Escrow Bank have each caused this Escrow Deposit and Trust Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF LOS ALAMITOS

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

ATTEST:

\_\_\_\_\_  
Clerk

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

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

LOS ALAMITOS PUBLIC FACILITIES  
CORPORATION

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

ATTEST:

\_\_\_\_\_  
Secretary

EXHIBIT A

IDENTIFICATION OF AND PAYMENT SCHEDULE FOR  
ESCROW SECURITIES

I. Escrow Securities

<u>Security</u>	<u>Purchase Date</u>	<u>Rate</u>	<u>Purchase Price</u>	<u>Maturity</u>
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EXHIBIT B  
PAYMENT SCHEDULE OF PRIOR CERTIFICATES

<u>Date</u>	<u>Prepaid Certificates</u>	<u>Premium</u>	<u>Interest</u>	<u>Total Prepayment</u>
-------------	---------------------------------	----------------	-----------------	-----------------------------

EXHIBIT C

\$ \_\_\_\_\_  
City of Los Alamitos  
2006 Certificates of Participation  
(Laurel Park Acquisition)  
CUSIP # \_\_\_\_\_

Dated Date                      Maturity Date                      Interest Rate                      Redemption Price

NOTICE OF DEFEASANCE AND REDEMPTION

OWNERS of certain maturities of the above-described Certificates (the “Defeased Certificates”) are hereby NOTIFIED that, pursuant to an Escrow Deposit and Trust Agreement dated as of \_\_\_\_\_ 1, 2015, by and among the City of Los Alamitos, the Los Alamitos Public Facilities Corporation (the “Corporation”) and The Bank of New York Mellon Trust Company, N.A., as Escrow Bank (the “Escrow Bank”), the Escrow Bank has received and holds in irrevocable trust, cash moneys or noncallable direct and general obligations of the United States of America or obligations of any agency or instrumentality of the United States the payment of principal of and interest on which is unconditionally guaranteed by the full faith and credit of the United States of America (collectively, the “Escrowed Securities”) interest on and the principal of which obligations, when due, will provide moneys together with any such cash sufficient to pay interest on and the principal of the Defeased Certificates to \_\_\_\_\_ 1, 2015, as indicated on such Defeased Certificates and to redeem the Defeased Certificates on \_\_\_\_\_ 1, 2015, at a redemption price of 100%, all as verified by an independent certified public accountant. The Escrow Bank shall collect interest on and the principal of such obligations and shall pay the same, together with any such cash moneys held by the Escrow Bank, to owners of record of the Defeased Certificates, in such amounts and at such times as shall be required to pay interest on and the principal of the Defeased Certificates to the redemption date of \_\_\_\_\_ 1, 2015, as applicable. Owners of the Defeased Certificates should surrender Defeased Bond to The Bank of New York Mellon Trust Company, N.A., [address], for payment.

The Defeased Certificates are now deemed to have been paid, and the owners thereof shall hereafter be limited to the application of such cash moneys or Escrowed Securities for the payment of interest on and the principal of such Defeased Certificates as the same become due and payable as described above.

The Escrow Bank shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness indicated in the notice or as printed on any Defeased Certificate. They are included solely for the convenience of the holders.

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

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**OFFICIAL NOTICE OF SALE**

**\$3,765,000\***

**CITY OF LOS ALAMITOS  
2015 CERTIFICATES OF PARTICIPATION  
(BANK QUALIFIED)**

**Date of Sale:**

**August 26, 2015  
10:00 a.m., Pacific Daylight Time**

**BIDS TO BE RECEIVED VIA PARITY®**

**For further information, please contact the City's Independent Registered Municipal Advisor:**

**Thomas Johnsen, Principal**  
(949) 660-7311  
[tjohnsen@fieldman.com](mailto:tjohnsen@fieldman.com)

**Joshua Lentz, Vice President**  
(949) 660-7320  
[jlentz@fieldman.com](mailto:jlentz@fieldman.com)

**Fieldman, Rolapp & Associates**  
1990 MacArthur Boulevard, Suite 1100  
Irvine, California 92612  
Fax: (949) 474-8773

**A copy of the Preliminary Official Statement  
may be obtained at:  
[www.munios.com](http://www.munios.com)**

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\* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

\$3,765,000\*  
CITY OF LOS ALAMITOS  
2015 CERTIFICATES OF PARTICIPATION  
(BANK QUALIFIED)

NOTICE IS HEREBY GIVEN that all-or-none bids will be received by the City of Los Alamitos (the "City"), for the purchase of \$3,765,000\* par value certificates of participation designated "CITY OF LOS ALAMITOS 2015 CERTIFICATES OF PARTICIPATION (BANK QUALIFIED)" (the "Certificates"). All electronic bids must be submitted via *Parity*®, the electronic bidding system, up to the time and date specified as follows:

**TIME:** 10:00 a.m., Pacific Daylight Time

**DATE:** August 26, 2015

provided, however, that without further advertising, and so long as an electronic bid has not been accepted by the City, electronic bids via *Parity*® will be accepted at such time and place on August 26, 2015 and each succeeding Business Day thereafter until the earlier of August 27, 2015 or receipt by the Board of an acceptable electronic bid for the Certificates.

Bids for the purchase of the Certificates will be received and considered subject to the terms and conditions described herein.

Please note that the City reserves the right to cancel or reschedule the sale of the Certificates upon notice given through Bloomberg News Service, Thompson Municipal Market Monitor ([www.tm3.com](http://www.tm3.com)) or *The Bond Buyer* no later than eighteen (18) hours prior to the new time bids are to be received, and if the sale is rescheduled, notice of the new sale date and time, if any, will be given through Bloomberg News Service, Thompson Municipal Market Monitor ([www.tm3.com](http://www.tm3.com)) or *The Bond Buyer* no later than eighteen (18) hours prior to the new time bids are to be received, and bids will be received in the manner set forth above at the rescheduled date and time as the City may determine.

**DESCRIPTION OF THE CERTIFICATES AND FINANCING FRAMEWORK**

**Terms of the Certificates**

The City has made available a Preliminary Official Statement relating to the Certificates, a copy of which has been posted to [www.munios.com](http://www.munios.com). The Preliminary Official Statement, including the cover page and all appendices thereto, provides certain information concerning the sale and delivery of the Certificates. Each bidder must have obtained and reviewed the Preliminary Official Statement prior to bidding for the Certificates. This Official Notice of Sale contains certain information for quick reference only, is not a summary of the issue and governs only the terms of the sale of, bidding for and closing procedures with respect to the Certificates. Bidders must read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision.

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\* Preliminary, subject to change.

**Issue**

The Certificates will be dated the date of delivery, will be in the denomination of \$5,000 each, or integral multiples thereof, and will bear interest from the date of the Certificates to the maturity of each of the Certificates at the rate or rates such that the interest rate shall not exceed 6% per annum, with interest payable on April 1, 2016 and semiannually on April 1 and of any maturity October 1 of each year during the term of each of the Certificates. The Certificates mature on October 1 in each of the years 2016 to 2036 inclusive, as follows:

<u>MATURITY (OCTOBER 1)</u>	<u>PRINCIPAL AMOUNT*</u>	<u>MATURITY (OCTOBER 1)</u>	<u>PRINCIPAL AMOUNT*</u>
2016	\$70,000	2031	\$120,000
2017	75,000	2032	125,000
2018	75,000	2033	130,000
2019	75,000	2034	135,000
2020	80,000	2035	140,000
2021	85,000	2036	145,000
2022	85,000	2037	150,000
2023	90,000	2038	155,000
2024	95,000	2039	160,000
2025	100,000	2040	170,000
2026	105,000	2041	175,000
2027	110,000	2042	180,000
2028	110,000	2043	190,000
2029	115,000	2044	195,000
2030	120,000	2045	205,000

**Adjustment of Principal Amounts**

The principal amounts of each maturity of Certificates set forth above reflect certain assumptions of the City and Fieldman, Rolapp & Associates, Inc., the City’s Independent Registered Municipal Advisor (the “Municipal Advisor”) with respect to the likely interest rates of the winning bid or bids. Following the determination of the successful bidder or bidders, the City reserves the right to increase or decrease the principal amount of each maturity of the Certificates, in \$5,000 increments of principal amounts. In no event shall such adjustment result in the principal amount of the Certificates exceeding \$4,075,000. Such adjustment shall be made within 4 hours of the bid opening and in the sole discretion of the City. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and the successful bid or bids may not be withdrawn, and the successful bidder will not be permitted to change its bid price or the interest rate(s) in its bid for the Certificates. The City shall not be responsible for the effect of any such adjustment on the compensation to the successful bidder and will use its reasonable best efforts to maintain a proportionate level of compensation to the successful bidder. Bidders are advised to consider such a possible change in principal amount when determining their production on each maturity of the Certificates.

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\* Preliminary, subject to change.

## Interest Rates

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Certificates shall represent interest from their date at a rate or rates to be determined at the sale thereof, but no maturity of such Certificates shall exceed six percent (6%) per annum and the true interest cost of the Certificates shall not exceed 4.50%. Interest on the Certificates is payable semiannually on April 1 and October 1 in each year (the "Interest Payment Dates"); commencing October 1, 2016. Bidders may specify any number of separate interest rates, and any rate may be repeated as often as desired; provided, however, that (i) each interest rate specified must be in a multiple of 1/20 of 1% or 1/8 of 1%; (ii) a zero rate of interest cannot be specified; (iii) each Certificate shall bear interest from its dated date to its stated maturity date at the interest rate specified in the bid; (iv) all Certificates of the same maturity date shall bear the same rate of interest (with the exception of split coupons for Certificates of the same maturity, which is allowed; however, the Certificates of the same maturity shall bear the same yield); and (v) no bid will be accepted which provides for the cancellation and surrender of any interest payment or for the waiver of interest or other concession by the bidder as a substitute for payment in full of the purchase price of the Certificate or Certificates. *Bids that do not conform to the terms of this paragraph will be rejected.*

## Prepayment

The Certificates are subject to optional, extraordinary and mandatory sinking fund prepayment prior to their stated maturity, as follows:

- (a) Optional Prepayment. The Certificates maturing on or after October 1, 2026 are subject, at the option of the City, to prepayment prior to their stated maturities in whole or in part on any date commencing October 1, 2025, selected among maturities, if in part as nearly as practicable on a pro-rata basis, and by lot within a maturity, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.
- (b) Extraordinary Prepayment. The Certificates shall also be subject to mandatory prepayment on any April 1 or October 1, in whole or in part, from the Net Proceeds of insurance or condemnation or sale of the Leased Premises and Site, which Net Proceeds are deposited in the Lease Payment Fund and credited as a Prepayment made by the City pursuant to the Lease Agreement, at a prepayment price equal to the principal amount, together with accrued interest to the date fixed for prepayment, without premium.
- (c) Mandatory Sinking Fund Prepayment. Any bidder may, at its option, specify that one or more maturities of the Certificates will consist of term Certificates which are subject to mandatory sinking fund prepayment in consecutive years immediately preceding the maturity thereof, as designated in the proposal of such bidder; **provided that no Certificate may have sinking fund payments prior to October 1, 2025.** In the event that the proposal of the successful bidder specifies that any maturity of Certificates will be term Certificates, such term Certificates will be subject to mandatory sinking fund prepayment on October 1 in each year so designated in the proposal, in the respective amounts for such years, at prepayment price equal to the principal amount thereof to be paid together with accrued interest thereon to the prepayment date, without premium.

Notice of prepayment shall be provided as set forth in the Preliminary Official Statement.

## **Registration of Certificates as to Principal and Interest and Place of Payment**

The Certificates, 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 of the Certificates. Individual purchases will be made in book-entry form only, in the denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Principal and interest are payable in lawful money of the United States of America and will be paid to DTC which in turn will remit such amounts to the beneficial owners of the Certificates through DTC’s Participants, as described in the Preliminary Official Statement.

## **Purpose**

The proceeds of the sale of the Certificates will be used, together with other available moneys, (i) to refund the City’s outstanding 2006 Certificates of Participation (Laurel Park Acquisition) (the “2006 Certificates”), (ii) to provide funds to the City to finance the design, acquisition and construction of certain public facilities (the “Project”) and (iii) to pay certain costs of execution and delivery of the Certificates.

## **Security**

The Certificates evidence and represent undivided proportionate interest in the right to receive certain lease payments and prepayments thereof (the “Lease Payments”) as set forth in the Lease Agreement, dated as of September 1, 2015 (the “Lease Agreement”), by and between the City, as lessee, and the Corporation, as lessor. Lease Payments will be made by the City to the Los Alamitos Public Facilities Corporation (the “Corporation”) for the right to the use and occupancy of certain real property and improvements thereon, including certain components of the Project (the “Leased Premises”). The Leased Premises will be leased by the City from the Corporation pursuant to the Lease Agreement.

In accordance with the Lease Agreement, the City is required to pay to the Trustee specified Lease Payments for the Leased Premises which are designed to be sufficient to pay the principal and interest with respect to the Certificates

The City has covenanted in the Lease Agreement to take all such actions as may be necessary to include all Lease Payments in each of its annual budgets for the General Fund during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The covenants of the City constitute duties imposed by law. In addition, the City has covenanted to maintain, or cause to be maintained, insurance on the Leased Premises. However, the Lease Payments are subject to abatement in certain circumstances.

Pursuant to the Trust Agreement, dated as of September 1, 2015 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee”), the City and the Corporation, the Corporation has assigned to the Trustee for the benefit of the Owners of the Certificates (i) its right to receive Lease Payments from the City under the Lease Agreement, (ii) all estate, right, title and interest of the Corporation in and to and all duties and obligations of the Corporation under the Lease Agreement and (iii) all the moneys and securities deposited or required to be deposited with the Trustee pursuant to the Trust Agreement not expressly held for the benefit of the City.

**THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS IS AN OBLIGATION PAYABLE EACH YEAR FROM THE CITY’S GENERAL FUND OR ANY SOURCE OF FUNDS LEGALLY AVAILABLE FOR THE PAYMENT OF LEASE PAYMENTS, BUT DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY**

POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION OR RESTRICTION, OR AN OBLIGATION FOR WHICH THE CITY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### **Reserve Fund**

The City has not established a Reserve Fund for the Certificates.

### **Purchaser's Closing Certificate**

The Purchaser must deliver such certificates to the City as may be required by Special Counsel dated the date of execution and delivery of the Certificates, indicating (among other matters): (i) receipt of the Certificates; (ii) the initial offering price at which not less than ten percent (10%) of the Certificates were sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), (iii) the "yield" on the Certificates as calculated in accordance with the Internal Revenue Code of 1986, as amended, and (iv) such other information as may be required to assist the City in filing the required Internal Revenue Service Form 8038-G for the Certificates.

The Purchaser shall advise the City no later than one hour after award of the bid of such information regarding the reoffering price or prices at which the Certificates are reoffered to the general public as shall enable the City to comply with the Internal Revenue Code of 1986 and to make any adjustments in the principal amount of the Certificates as described under "Adjustments of Principal Amounts."

Each bidder is requested to furnish the names of all joint managers participating in the bid on the official Bid Form. The Purchaser will be required to submit a list of all syndicate members in addition to the managers not later than 24 hours after receiving a verbal award.

### **CUSIP Numbers and Other Fees**

CUSIP numbers will be applied for and will be printed on the Certificates and the cost of printing thereof and service bureau assignment will be purchaser's responsibility. Any delay, error or omission with respect thereto will not constitute cause for the purchaser to refuse to accept delivery of and pay for the Certificates. The successful bidder shall also be required to pay all fees required by The Depository Trust Company, Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the execution and delivery of the Certificates (see, "California Debt Advisory and Investment Commission" below).

### **Legal Opinion**

The Certificates are sold with the understanding that the purchaser will be furnished with the approving opinion of Special Counsel, Best Best & Krieger LLP. A copy of the opinion will be attached to the Certificates. Said attorneys have been retained by the City as Special Counsel and in such capacity are to render their opinion only upon the legality of the Certificates under California law and on the exemption of the interest income on such Certificates from federal and State of California income taxes. Fees of Special Counsel and all other costs of delivery will be paid from proceeds of the Certificates.

### **Tax-Exempt Status**

In the opinion of Special Counsel, under existing laws, interest on the Certificates is exempt from all present State of California personal income taxes, and assuming compliance with certain covenants made by the City, interest on the Certificates is not includable in the gross income of the owners of the Certificates for federal income tax purpose, provided that such interest may be included in the calculation for certain taxes, including the corporate alternative minimum tax and the corporate environmental tax. Should changes in the law cause Special Counsel's opinion to change prior to delivery of the Certificates to the Purchaser, the Purchaser will be relieved of its responsibility to take delivery of and pay for the Certificates, and in that event its Deposit will be returned.

### **Bank Qualification**

The City has designated the Certificates and the Lease Agreement as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986.

### **Certification of Reoffering Price**

As soon as practicable, but not later than five days following the date of acceptance of the bid for the Certificates, the successful bidder must submit to the City a certificate specifying for each maturity the reoffering price at which at least 10% of the Certificates of such maturity were sold (or were offered in a bona fide public offering and as of the date of award of the Certificates to the successful bidder reasonably expected to be sold) to the public. Such certificate shall be in form and substance satisfactory to Special Counsel and shall include such additional information as may be requested by Special Counsel.

### **California Debt Advisory and Investment Commission**

The successful bidder will be required, pursuant to state of California law, to pay any fees to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the successful bidder after the closing of the Certificates.

### **Qualification for Sale; Blue Sky**

Compliance with blue sky laws shall be the sole responsibility of the successful bidder. The Board will furnish such information and take such action not inconsistent with law as the successful bidder may request and the Board shall deem necessary or appropriate to qualify the Certificates for offer and sale under the blue sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the successful bidder; provided, however, that the Board shall not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. The successful bidder will not offer to sell or solicit any offer to buy the Certificates in any jurisdiction where it is unlawful for such bidder to make such offer, solicitation or sale, and the bidder shall comply with the blue sky and other securities laws and regulations of the states and jurisdictions in which the bidder sells the Certificates.

### **No Litigation and Non-Arbitrage**

The City will deliver a certificate stating that to the best of its knowledge no litigation is pending affecting the execution, delivery and sale of the Certificates. The City will also deliver an arbitrage certificate covering its reasonable expectations concerning the Certificates and the use of proceeds thereof.

## **Right of Cancellation**

The successful bidder will have the right, at its option, to cancel its purchase of the Certificates if the City fails to execute the Certificates and tender the same for delivery within 60 days from the date of the award thereof. In such event, the successful bidder will be entitled to the return of the deposit accompany the bid.

## **Preliminary Official Statement and Final Official Statement**

The City has made available a Preliminary Official Statement relating to the Certificates, a copy of which has been posted to [www.munios.com](http://www.munios.com). Such Preliminary Official Statement, together with any supplements thereto, shall be in form "deemed final" by the City for the purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final official statement. The City shall deliver, at closing, a certificate, executed by appropriate officers of the City acting in their official capacities, to the effect that the facts contained in the Official Statement relating to the Certificates are true and correct in all material respects, and that the Official Statement does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading.

The City will provide up to 25 copies of the final Official Statement for the Certificates to the successful bidder for the Certificates, without charge, within seven business days after the award of the bid. The successful bidder must notify the City through the Municipal Advisor, in writing, within three business days of the award if the bidder requires additional copies of the final Official Statement, which additional copies will be provided at the bidder's cost.

By making a bid for the Certificates, the successful bidder agrees (1) to disseminate to all members of the underwriting syndicate copies of the final Official Statement, including any supplements prepared by the City, (2) to promptly file a copy of the final Official Statement, including any supplements prepared by the City, with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System, and (3) to take any and all other actions necessary to comply with applicable SEC rules and MSRB rules governing the offering, sale and delivery of its Certificates to ultimate purchasers.

## **Continuing Disclosure**

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, the City will undertake in a Continuing Disclosure Certificate to provide certain annual financial information and Notice of the occurrence of certain events, if material. A description of this undertaking and a form of the Continuing Disclosure Certificate is included in the Preliminary Official Statement. Upon request, a continuing disclosure compliance report (the "Compliance Report") is available with the Municipal Advisor. The Compliance Report covers the timing and content of all material filed by the City in the last five years.

## **Rating**

Standard & Poor's Ratings Services assigned to the Certificates the rating shown on the cover page of the Preliminary Official Statement or, if not so indicated, will be available upon request from the Municipal Advisor. Such rating reflects only the views of such organization and explanation of the significance of such rating may be obtained from them as follows: Standard & Poor's Ratings Services, Public Finance Department, 55 Water Street, New York, New York 10041-0003, (212) 438-2000. There is no assurance that the rating will continue for any given period of time or that it will not be revised

downward or withdrawn entirely by rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

## **TERMS OF SALE**

### **Basis of Award**

The Certificates will be awarded to the responsible bidder whose bid produces the lowest true interest cost on the Certificates. The true interest cost specified in any bid will be that rate which, when used in computing the present value of principal and interest to be paid on all Certificates from the expected date of delivery (which is assumed for computational purposes to be September 9, 2015), to their respective maturity dates, or mandatory sinking fund prepayment dates in the case of term Certificates, produces an amount equal to the purchase price (including any premium) specified in such bid. For purposes of computing the true interest cost represented by any bid, the purchase price specified in such bid shall be equal to the par amount of the Certificates plus any premium specified in such bid, and the true interest rate shall be calculated by the use of a semiannual interval of compounding interest based on the Interest Payment Dates for the Certificates. In the event of a tied bid, the procedure for determining the winning bid will be the toss of a coin to be conducted by the City among such bidders whose bids have produced the tie.

### **All or None Bid**

Any prospective purchaser may submit a bid for the Certificates, provided that if any of the Certificates are bid for, then all of the Certificates must be bid for.

### **Par/Net Premium**

All bids for the Certificates shall be par or net premium bids; no net discount bids for the Certificates will be accepted. Individual maturities of the Certificates may be reoffered at par, a premium or a discount. A minimum Bid Price of 99% is required.

### **Form of Bid**

All bids for the Certificates must be unconditional and for not less than all of the Certificates offered for sale. Each bid must be in accordance with the terms and conditions set forth herein. Bids will only be accepted via PARITY® pursuant to this Notice until 10:00 a.m., California Time on the date set forth for receipt of bids. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. For further information about PARITY®, potential bidders may contact the Municipal Advisor at (949) 660-7300 or PARITY® at (212) 849-5000.

### **Delivery and Payment**

It is estimated that delivery of the Certificates will be made to the Purchaser on or about September 9, 2015. Payment of the purchase price (less the amount of the good faith deposit mentioned below) must be made in funds immediately available to the City.

### **Electronic Bids**

Electronic Bids via PARITY® (the "Electronic Bidding System") will be accepted in accordance with this Official Notice of Sale until 10:00 a.m. Pacific Daylight Time, August 26, 2015, but no bid will

be received after this time. To the extent any instructions or directions set forth in Parity® conflict with this Notice of Sale, the terms of this Notice shall control. For further information about PARITY®, potential bidders may contact the Municipal Advisor, Fieldman, Rolapp & Associates or PARITY® at 1359 Broadway, 2nd Floor, New York, New York 10018, telephone (212) 849-5000.

#### **Warning Regarding Electronic Bids**

THE CITY WILL ACCEPT BIDS IN ELECTRONIC FORM SOLELY THROUGH PARITY ON THE OFFICIAL BID FORM CREATED FOR THAT PURPOSE. EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES BY DOING SO THAT IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH PARITY, THAT THE CITY NEITHER ENDORSES NOR EXPLICITLY ENCOURAGES THE USE OF PARITY, AND THAT PARITY IS NOT ACTING AS AN AGENT OF THE CITY. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM PARITY, AND THE CITY ASSUMES NO RESPONSIBILITY FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF PARITY. THE CITY SHALL ASSUME THAT ANY BID RECEIVED THROUGH PARITY HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

THE CITY WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER THE CITY, THE MUNICIPAL ADVISOR AND BOND COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR OPENED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE CITY AT THE PLACE OF BID OPENING, AND THE CITY SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY PARITY AS THE OFFICIAL TIME.

#### **Estimate of True Interest Cost**

Bidders are requested to supply a calculation of the true interest cost of the Certificates to the City on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the City. The true interest cost specified in any bid will be that rate which, when used in computing the present value of all payments of principal and interest to be paid on all Certificates from the Closing Date (which is anticipated to be September 9, 2015) to their respective maturity dates or mandatory sinking fund prepayment dates, produces an amount equal to the purchase price (including any premium) specified in such bid.

## **Bid Award Deposit**

The winning bidder will be required to submit a Bid Award Deposit not later than 12:00 p.m. PDT, on August 26, 2015, the winning bidder is required to submit a Bid Award Deposit to the City equal to 1% of the par value of the Certificates which the bidder has been awarded. The Bid Award Deposit must be made in good funds by wire transfer of the required amount to:

Name of Bank: The Bank of New York Mellon Trust Company, N.A.  
Name of Account:\*  
Routing Number:\*  
Account Number:\*  
Ref: City of Los Alamitos 2015 Refunding Certificates of Participation

or to such other account as instructed by the City in writing. In the event a bidder's Bid Award Deposit is not received by the designated time, the underlying bid may be disqualified at the option of the City.

No interest will be paid by the City on the amount of the Bid Award Deposit. The proceeds of the Bid Award Deposit of the winning bidder will be applied to the purchase price of the Certificates, or in the event of the failure of a winning bidder to pay for the Certificates in compliance with the terms of the bid, at the option of the City, its Bid Award Deposit may be retained as liquidated damages, as partial payment of actual damages or as security for any other remedy available to the City.

## **Underwriting Group**

Each bidder is requested to furnish the names of all joint managers participating in the bid. The successful bidder will be required to submit a list of all syndicate members in addition to the managers not later than 24 hours after receiving a verbal award.

## **No Municipal Bond Insurance**

THE SUCCESSFUL BIDDER SHALL NOT PURCHASE MUNICIPAL BOND INSURANCE IN CONNECTION WITH THE INITIAL OFFERING OF THE CERTIFICATES.

## **Additional Information**

Copies of the Resolutions, this Official Notice of Sale and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the Municipal Advisor.

## **Right to Modify or Amend**

The City reserves the right to modify or amend this Official Notice of Sale including, but not limited to the right to adjust and change the aggregate principal amount of the Certificates being offered. Such notifications or amendments shall be made not later than 2:00 p.m. Pacific Daylight Time on the business day immediately preceding the day of the bid opening and communicated through Thomson Municipal News and by facsimile transmission to any qualified bidder timely requesting such notice.

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\* Information to be provided to winning bidder by the Municipal Advisor.



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

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS:  
S&P: "\_\_\_"

(See "CONCLUDING INFORMATION — Ratings" herein.)

*In the opinion of Best Best & Krieger LLP, Riverside, California, Special Counsel, under existing law, interest with respect to the Certificates is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Certificates with certain covenants contained in the legal documents authorizing the delivery of the Certificates, and subject to the matters set forth under the caption "CONCLUDING INFORMATION - Tax Matters" herein, interest with respect to the Certificates for federal income tax purposes under existing statutes, regulations, published rulings and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates, and will not be included in computing the alternative minimum taxable income of individuals, or, except as described herein, corporations. In addition, the Certificates and the Lease Agreement have been designated by the City as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986.*

\$ \_\_\_\_\_ \*

**CITY OF LOS ALAMITOS**  
**2015 CERTIFICATES OF PARTICIPATION**  
**(BANK QUALIFIED)**

Dated: Date of Delivery

Due: October 1, as set forth herein

The Certificates will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Certificates will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest payable with respect to the Certificates will be payable on April 1 and October 1 of each year, commencing April 1, 2016, and principal payable on the Certificates will be paid on October 1 in the years set forth on the maturity schedule on the inside cover of this Official Statement. Payments of principal of and interest with respect to the Certificates will be paid by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates.

The Certificates are being sold, executed and delivered to provide funds to the City of Los Alamitos (the "City") to (i) to refund the City's outstanding 2006 Certificates of Participation (Laurel Park Acquisition), (ii) to finance the design, acquisition and construction of certain public facilities as described herein and (iii) to pay certain costs of issuing the Certificates.

The Certificates are subject to optional, extraordinary and mandatory sinking fund prepayment prior to maturity as described herein. See "THE CERTIFICATES" herein.

The Certificates evidence and represent undivided proportionate interests in the right to receive certain Lease Payments (which include principal and interest components) to be made by the City for the right to the use of certain real property and improvements (the "Leased Premises") pursuant to that certain Lease Agreement, dated as of \_\_\_\_\_, 2015 (the "Lease Agreement"), by and between the City, as lessee, and the City of Los Alamitos Public Facilities Corporation (the "Corporation"), as lessor. The City has covenanted in the Lease Agreement to make the Lease Payments for the Leased Premises, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. The Lease Payments are subject to abatement, however. See "SECURITY FOR THE CERTIFICATES" and "RISK FACTORS" herein.

THE CITY'S OBLIGATION TO MAKE LEASE PAYMENTS IS AN OBLIGATION PAYABLE FROM THE CITY'S GENERAL FUND OR ANY OTHER SOURCE OF FUNDS LEGALLY AVAILABLE TO THE CITY TO MAKE LEASE PAYMENTS. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTE A DEBT OF THE CITY OF LOS ALAMITOS OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION OR ANY OBLIGATION FOR WHICH THE CITY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Bids for the purchase of the Certificates will be received by the City on \_\_\_\_\_, 2015, electronically only, through the I-Deal LLC BidCOMP™/PARITY® system, until 10:00 A.M. Pacific Daylight time. The Certificates will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated \_\_\_\_\_, 2015.

**THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SECTION ENTITLED "RISK FACTORS," FOR A DISCUSSION OF SPECIAL FACTORS WHICH SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN CONSIDERING THE INVESTMENT QUALITY OF THE CERTIFICATES. CAPITALIZED TERMS USED ON THIS COVER PAGE AND NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH HEREIN.**

**MATURITY SCHEDULE**

(See inside cover page)

*The Certificates are offered when, as and if sold, executed and delivered, subject to the approval as to their legality by Best Best & Krieger LLP, Riverside, California, Special Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, Wallin, Kress, Reisman & Krantz, LLP, Santa Monica, California. It is anticipated that the Certificates in book-entry form, will be available for delivery to DTC in New York, New York, on or about \_\_\_\_\_, 2015.*

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 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 a 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 prior to registration or qualification under the securities laws of such jurisdiction.

**MATURITY SCHEDULE**

(Base CUSIP®:† \_\_\_\_\_)

<b><u>Maturity Date</u></b> <b>(October 1)</b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b> ®
---	---	-----------------------------	---------------------	---------------------	-----------------------

\$ \_\_\_\_\_ % Term Certificates due \_\_\_\_\_, 20\_\_\_\_, Price: \_\_\_\_\_ % Yield: \_\_\_\_\_ % CUSIP:† \_\_\_\_\_

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† Copyright 2015, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, 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 Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Certificates. The City is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but no limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

**CITY OF LOS ALAMITOS, CALIFORNIA**

**CITY COUNCIL**

Richard D. Murphy, Mayor  
Troy D. Edgar, Mayor Pro Tem  
Dean Grose, Council Member  
Shelley Hasselbrink, Council Member  
Warren Kusumoto, Council Member

**CITY STAFF**

Bret M. Plumlee, City Manager  
Jason Al-Imam, Administrative Services Director/Treasurer  
Windmera Quintanar, City Clerk  
Wallin, Kress, Reisman & Kranitz, LLP, City Attorney

**SPECIAL SERVICES**

**Special Counsel and Disclosure Counsel**

Best Best & Krieger LLP  
Riverside, California

**Trustee and Escrow Bank**

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

**Financial Advisor**

Fieldman, Rolapp & Associates  
Irvine, California

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Certificates other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Certificates.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates 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 the Certificates, the Lease Agreement, the Trust Agreement or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Administrative Services Director for further information. See "INTRODUCTION—Summaries Not Definitive."

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

**Document References and Summaries.** All references to and summaries of the Trust Agreement, the Lease Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Certificates are Exempt from Securities Laws Registration.** The issuance and sale of the Certificates have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Stabilization of Prices.** In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Certificates 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 Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

**Estimates and Projections.** 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," "budget" or other similar words.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

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 THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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**CITY OF LOS ALAMITOS  
2015 CERTIFICATES OF PARTICIPATION**

**INTRODUCTION**

*This introduction contains only a brief summary of certain of the terms of the Certificates 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.*

**General**

The purpose of this Official Statement (which includes the cover page and the Appendices attached hereto) is to provide information concerning the execution and delivery of the City of Los Alamitos' (the "City") 2015 Certificates of Participation (the "Certificates").

**The City**

The City was incorporated in 1960 and operates as a charter City. The City operates under a council-manager form of government, and is governed by a five-member City Council elected at large with four-year staggered terms. The Mayor is elected by the Council Members every year. The positions of City Clerk, City Manager and City Attorney are filled by appointment of the City Council.

The City encompasses approximately 4.3 square miles in the north-western portion of Orange County (the "County"), about 30 miles south of downtown Los Angeles and approximately 60 miles north of San Diego. The current population of the City is approximately 11,779. For other selected information concerning the City, see APPENDIX A – "CITY OF LOS ALAMITOS GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" hereto.

**Authority for the Certificates**

The Certificates are being executed and delivered pursuant to the provisions of a Trust Agreement, dated as of \_\_\_\_\_ 1, 2015 (the "Trust Agreement"), among the City, the City of Los Alamitos Public Facilities Corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

**Purpose**

The proceeds of the sale of the Certificates will be used, together with other available moneys, (i) to refund the City's outstanding 2006 Certificates of Participation (Laurel Park Acquisition) (the "2006 Certificates"), (ii) to provide funds to the City to finance the design, acquisition and construction of certain public facilities (the "Project") and (iii) to pay certain costs of issuance of the Certificates. See "THE PROJECT AND THE LEASED PREMISES" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

**Security for the Certificates**

The Certificates evidence and represent undivided proportionate interest in the right to receive certain Lease Payments and prepayments thereof. Lease Payments (as defined herein) will be made by the City to the Corporation for the right to the use and occupancy of certain real property and improvements thereon, including certain components of the Project (the "Leased Premises"). See "THE PROJECT AND THE LEASED PREMISES – The Leased Premises" below. The Leased Premises will be leased by the City from the

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\* Preliminary, subject to change.

Corporation pursuant to a Lease Agreement, dated as of \_\_\_\_\_ 1, 2015 (the "Lease Agreement"), between the City, as lessee, and the Corporation, as lessor.

In accordance with the Lease Agreement, the City is required to pay to the Trustee specified Lease Payments for the Leased Premises which are designed to be sufficient to pay the principal and interest with respect to the Certificates. See APPENDIX B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein.

The City has covenanted in the Lease Agreement to take all such actions as may be necessary to include all Lease Payments in each of its annual budgets for the General Fund during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and Additional Payments. The covenants of the City constitute duties imposed by law. In addition, the City has covenanted to maintain, or cause to be maintained, insurance on the Leased Premises. See "SECURITY FOR THE CERTIFICATES – Insurance" herein. However, the Lease Payments are subject to abatement in certain circumstances. See "– Abatement" below.

Pursuant to the Trust Agreement, the Corporation has assigned to the Trustee for the benefit of the Owners of the Certificates (i) its right to receive Lease Payments from the City under the Lease Agreement, (ii) all estate, right, title and interest of the Corporation in and to and all duties and obligations of the Corporation under the Lease Agreement and (iii) all the moneys and securities deposited or required to be deposited with the Trustee pursuant to the Trust Agreement not expressly held for the benefit of the City.

#### **Abatement**

The amount of Lease Payments due under the Lease Agreement and, correspondingly, the amount available to pay the principal and interest with respect to the Certificates, will be subject to complete or partial abatement during any period in which, by reason of damage or destruction or eminent domain, there is substantial interference with the use and possession by the City of the Leased Premises. The amount of the abatement will be determined by the City so that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Premises not damaged or destroyed. See "RISK FACTORS - Abatement" herein.

Amounts on deposit in the Lease Payment Fund and the Reserve Fund, and proceeds from any insurance or eminent domain award, constitute a special fund for payment of Lease Payments, and will be available to pay Lease Payments in the event there is substantial interference with the use and possession of the Leased Premises.

#### **Prepayment**

The Certificates are subject to optional, extraordinary and mandatory prepayment as described herein.

#### **Limited Obligations**

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS IS AN OBLIGATION PAYABLE EACH YEAR FROM THE CITY'S GENERAL FUND OR ANY SOURCE OF FUNDS LEGALLY AVAILABLE FOR THE PAYMENT OF LEASE PAYMENTS, BUT DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION OR RESTRICTION, OR AN OBLIGATION FOR WHICH THE CITY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

## Summaries Not Definitive

The summaries and references of documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See APPENDIX B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for summaries of certain of such definitions.

Copies of the documents described herein will be available at the City Manager’s office, City of Los Alamitos, 3191 Katella Avenue, Los Alamitos, California 90720.

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the City by not later than nine months after the end of the City’s Fiscal Year (presently June 30) in each year commencing with its report for fiscal year 2014-15 to be delivered not later than March 1, 2016 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City is contained in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Failure of the City to provide the required information at the required time may have a negative impact on the value of the Certificates in the secondary market. See “CONTINUING DISCLOSURE,” herein.

## FINANCING PLAN

### Use of Bond Proceeds

Proceeds from the sale of the Certificates, together with certain other available moneys, will be used to (i) refinance outstanding obligations of the City, (ii) finance the design, acquisition and construction of new public improvements, and (iii) pay costs incurred in connection with the issuance, sale, and delivery of the Certificates.

The City previously issued its \$3,365,000 original principal amount of City of Los Alamitos 2006 Certificates of Participation (the “2006 Certificates”). The 2006 Certificates were issued pursuant to Trust Agreement, dated as of May 1, 2006 (the “2005 Trust Agreement”), between the City and the Trustee.

On the date of issuance of the Certificates, a portion of the proceeds will be transferred to the Trustee for deposit into the escrow fund (the “Escrow Fund”) established for each series of the 2006 Certificates, under certain Escrow Agreement dated as of \_\_\_\_\_ 1, 2015. As of July 1, 2015: \$\_\_\_\_\_ of the 2006 Certificates remain outstanding and will be redeemed on \_\_\_\_\_, 2015.\*; The amount deposited in the redemption fund for the 2006 Certificates, together with other available moneys, will be held uninvested, or invested in certain federal securities and irrevocably pledged for the payment of the related 2006 Certificates on their respective date of redemption.

The amounts held and invested by the Trustee for the respective 2006 Certificates in the Escrow Fund are pledged solely to the payment of amounts due and payable by the City under the 2006 Trust Agreement. Neither the funds deposited in the Escrow Fund for the 2006 Certificates nor the interest on the invested funds thereof will be available for the payment of debt service on the Certificates.

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\* Preliminary, subject to change.

## THE PROJECT AND THE LEASED PREMISES

The following description contains a list of improvements eligible to be financed through the proceeds of the Certificates: Los Alamitos Boulevard revitalization project, upgrade of curb ramps and sidewalks for compliance with the Americans with Disabilities Act, replacement of parks and playgrounds, rubberized ground cover, Little Cottonwood septic tank project, Old Dutch Haven Street rehabilitation, alley improvements, school traffic improvements, Old Dutch Haven block wall and purple pipe improvements.

The estimated costs of financing such improvements are as follows:

<u>Project</u> <sup>(1)</sup>	<u>Amount</u>
Los Alamitos Boulevard Revitalization Project	\$ 700,000
ADA Curb Ramps & Sidewalks	300,000
Parks Playground Replacement & Rubberized Ground Cover Project	227,500
Little Cottonwood Park Septic Tank Project	110,000
Old Dutch Haven Street Rehabilitation	292,000
Alley Improvements	250,000
School Traffic Improvements	228,000
Old Dutch Haven Block Wall	30,000
Purple Pipe Project	<u>250,000</u>
	\$2,387,500

<sup>(1)</sup> Not all of the eligible improvements will be financed through the proceeds of the Certificates.

The Leased Premises is the Laurel Park site. Laurel Park is a public park that is improved for various recreational uses. It has a baseball diamond and tennis courts, with the remaining fields landscaped with lawns, trees, shrubs and other vegetation. There is a public men's/women's restroom for park visitors. Parking is available to park-goers on an asphalt-concrete paved parking lot adjacent to the fields. The original value of the Leased Premises is \$4.65 million. The value of the property for the purposes of the issuance of the Certificates is the original purchase price of Laurel Park on \_\_\_\_\_, 2006.

### Release of Property; Substitution

Under the Lease Agreement, the City has the option to substitute other land, facilities or improvements for the Leased Premises or any portion thereof or to release a portion of the Leased Premises from the lien of the Lease Agreement, provided that the City satisfies all of the requirements set forth in the Lease Agreement.

The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution or release.

See APPENDIX B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Release and Substitution.”

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of the Certificates are anticipated to be applied as follows:

**SOURCES:**

Principal Amount of Certificates	_____
Plus/Less Net Original Issue Premium Discount	_____
Less Underwriter's Discount	_____
 <i>Total Sources</i>	 \$ _____

**USES:**

Escrow Fund <sup>(1)</sup>	
Project Fund <sup>(2)</sup>	\$ _____
Reserve Fund	_____
Delivery Costs Fund <sup>(3)</sup>	_____
 <i>Total Uses:</i>	 \$ _____

<sup>(1)</sup> To refund and defease the 2006 Certificates.

<sup>(2)</sup> To be used to finance the Project (see "THE PROJECT AND THE LEASED PREMISES" above).

<sup>(3)</sup> The delivery costs include fees and expenses of the financial advisor, special counsel, disclosure counsel and the trustee, printing expenses, rating fee, title insurance and other costs.

## THE CERTIFICATES

### General

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the City or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX F – "BOOK-ENTRY PROVISIONS."

In the event that such book-entry system is discontinued with respect to the Certificates, the City will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the corporate trust office of the Trustee.

Interest with respect to the Certificates is payable on April 1 and October 1 of each year, commencing April 1, 2016, and continuing to and including the date of maturity or prepayment, whichever is earlier.

Principal represented by the Certificates is payable on October 1 in each of the years and in the amounts set forth on the inside front cover of this Official Statement.

Any Certificate may be transferred upon the registration books kept by the Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Certificates may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee is not required to register the transfer or exchange of any Certificate during the period the Trustee is selecting Certificates for prepayment or any certificate selected for prepayment.

### Prepayment of the Certificates

**Optional Prepayment.** Certificates maturing on or after October 1, \_\_\_\_\_, are subject to prepayment in whole or in part from prepayments made at the option of the City pursuant to the Lease Agreement on or after October 1, \_\_\_\_\_ or any date thereafter, at a prepayment price equal to the principal amount thereof plus a

premium (as set forth in the following schedule) together with interest accrued with respect thereto to the date fixed for prepayment.

**Mandatory Sinking Fund Prepayment.** The Certificates maturing on October 1, 20\_\_ are also subject to mandatory sinking fund prepayment on October 1 in each year on or after October 1, 20\_\_, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date as follows:

<b>Prepayment Date (October 1)</b>	<b>Principal Amount of Certificates to be Prepaid</b>
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In the event that the Trustee prepays Certificates in part, but not in whole, pursuant to the Trust Agreement an optional prepayment or a prepayment from Net Proceeds of insurance or condemnation, the amount of the Certificates to be prepaid in each subsequent year pursuant to a mandatory sinking fund prepayment will be modified to correspond to the principal components of the Lease Payments prevailing following such prepayment.

In providing for the mandatory sinking fund prepayment of Certificates, the Trustee may, at the written direction of the City, utilizing funds on deposit in the Lease Payment Fund, purchase in the open market Certificates in the full principal amount of the Certificates to be prepaid on any prepayment date, or any part thereof; provided that the City will not direct the Trustee to purchase Certificates for such purpose after the 75<sup>th</sup> day preceding any such prepayment date, and provided further that the City shall not provide for the purchase of Certificates, at a purchase price for any Certificate which exceeds the principal amount thereof. If the Trustee purchases Certificates in a principal amount which is less than the full principal amount of the Certificates to be prepaid on the succeeding prepayment date, the Trustee shall, at the written direction of the City, prepay Certificates in a principal amount equal to the remainder of the principal amount of Certificates to be prepaid on such prepayment date.

**Extraordinary Prepayment.** The Certificates are also subject to mandatory prepayment on any April 1 or October 1, in whole or in part, from the Net Proceeds of insurance or condemnation or sale of the Leased Premises and Site, which Net Proceeds are deposited in the Lease Payment Fund and credited as a Prepayment made by the City pursuant to the Lease Agreement, at a prepayment price equal to the principal amount, together with accrued interest to the date fixed for prepayment, without premium.

**Selection of Certificates for Prepayment.** Except with respect to mandatory sinking fund prepayment, whenever less than all Outstanding Certificates are called for prepayment, the Trustee will select Certificates for prepayment, from the Outstanding Certificates not previously called for prepayment, such that, as nearly as practicable, approximately equal principal, interest and mandatory sinking fund prepayment payments prevail with respect to the Certificates in each Fiscal Year following the prepayment as determined by the City. The Trustee will select Certificates for prepayment by lot within a maturity in any manner which the Trustee in its sole discretion deems appropriate and fair.

**Notice of Prepayment.** The Trustee will give notice of the prepayment specifying: (a) that the Certificates or a designated portion thereof are to be redeemed, (b) the date of prepayment, (c) the place or places where the prepayment will be made and (d) if money has been deposited to the appropriate fund or account under the Trust Agreement, that on the specified date there will become due and payable upon each Certificate, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto will cease to accrue and be payable. The City shall have the right to rescind any notice of optional prepayment by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment and such cancellation shall not constitute an Event of Default under the Trust Agreement. The City

and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

Notice of prepayment shall be mailed by first class postage prepaid to the Securities Depositories and to one or more of the Information Services, to the managing member of such syndicate and to the respective Owners of Certificates designated for prepayment at their addresses appearing on the Certificate registration books at least 30 days but not more than 60 days prior to the prepayment date, which notice will, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal thereof which is to be redeemed.

The Trust Agreement provides that neither failure to receive a redemption notice nor any immaterial defect in any notice will affect the sufficiency of the proceedings for the prepayment of Certificates.

**Book-Entry System**

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F – "BOOK-ENTRY PROVISIONS" herein.

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

**Schedule of Lease Payments**

The table below shows the annual Lease Payments owed by the City. The Lease Payments are due fifteen days prior to each Interest Payment Date.

<u>October 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
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## SECURITY FOR THE CERTIFICATES

### General

*Lease Payments.* In the Lease Agreement, the City agrees to pay the Lease Payments to the Corporation as rental for the use and occupancy of the Leased Premises. The Lease Payments are denominated into components of principal and interest that correspond to the components of principal and interest with respect to the Certificates.

The City covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. However, the obligation of the City to make Lease Payments (other than to the extent that funds to make Lease Payments are available in the Lease Payment Fund, or otherwise available from an insurance or eminent domain award) may be abated in whole or in part if the City does not have use and possession of all or part of the Leased Premises.

*Assignment of Rights to the Trustee.* The Corporation, pursuant to the Trust Agreement, has assigned its rights, including its right to receive Lease Payments and its remedies under the Lease Agreement, to the Trustee for the benefit of the Owners of the Certificates.

*Certificates.* Each Certificate evidences and represents an undivided interest in the Lease Payments due under the Lease Agreement on the payment date or prepayment date of such Certificate.

### Lease Payments

Lease Payments are required to be made by the City under the Lease Agreement 15 Business Days prior to each Interest Payment Date (individually, a "Lease Payment Date"), for use and possession of the Leased Premises to the next occurring Lease Payment Date.

Lease Payments are required to be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on each Lease Payment Date the Trustee will withdraw from the Lease Payment Fund the amount of the Lease Payment then due and will apply such amounts to make principal and interest payments due with respect to the Certificates.

### Appropriation; Use of Leased Premises

The City covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. The Lease Agreement provides that this covenant shall be deemed to be and shall be construed to be a duty imposed by law, and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the budget and appropriation covenant.

*The Lease Agreement provides that the obligation of the City to pay Lease Payments constitutes a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, and that nothing in the Lease Agreement constitutes a pledge of the general tax revenues, funds or moneys of the City. Lease Payments are payable only from current funds which are budgeted and appropriated, or otherwise legally available, for the purpose of paying Lease Payments as consideration for use of the Leased Premises during the fiscal year of the City for which such funds were budgeted and appropriated or otherwise made legally available for such purpose. The Lease Agreement does not create an immediate indebtedness for any aggregate payments which may become due thereunder. The City has not pledged the full faith and credit of the City, the State of California or any agency or department thereof to the payment of the Lease Payments, the Certificates or the interest thereon.*

## **Assignment; Recourse on Default**

Pursuant to the Trust Agreement, the Corporation assigns to the Trustee for the benefit of the Owners of the Certificates its rights and remedies under the Lease Agreement, including its rights to receive amounts payable by the City under the Lease Agreement.

If the City defaults on its obligations under the Lease Agreement, the Trustee, as assignee of the Corporation, may exercise any and all remedies authorized by law or granted to the Corporation pursuant to the Lease Agreement. The Lease Agreement expressly authorizes the Trustee, as assignee of the Corporation, to re-enter the Leased Premises for the purpose of removing persons and personal property and of re-letting the Leased Premises and, at its option, to terminate the Lease Agreement. In the event the Trustee, as assignee of the Corporation, does not elect to terminate the Lease Agreement, it may enforce the Lease Agreement and hold the City liable for all Lease Payments and the performance of all conditions under the Lease Agreement. Any re-entry and re-letting will not effect a surrender of the Lease Agreement. The City, in the event of default, waives all rights to any rentals received by the Trustee through re-letting of the Lease Agreement. The City agrees to pay any and all costs, loss or damage, howsoever occurring, as a result of any re-entry or re-letting. See "RISK FACTORS – Bankruptcy," "- Limitation as Enforcement of Remedies" and "- No Acceleration" herein for a discussion of factors potentially limiting the available remedies in the event of a default.

The City may not mortgage, pledge, assign or transfer its interest in the Lease Agreement except as specifically provided in the Lease Agreement. The Lease Agreement authorizes the City to sublease a portion of the Leased Premises in the circumstances described in APPENDIX B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

## **Insurance**

The Lease Agreement requires the City to maintain certain insurance with respect to the Leased Premises (see APPENDIX B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease Agreement"), including the policies described in the following paragraphs.

**General Liability.** The Lease Agreement requires the City to maintain a standard comprehensive general liability insurance policy or policies in protection of the City, the Corporation and its members, officers, agents and employees, and the Trustee, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$250,000 for damage to property (subject to a deductible clause of not to exceed \$200,000) resulting from a single accident or event. In the alternative, the public liability and property damage insurance may be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks.

The liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City.

**Workers' Compensation.** The Lease Agreement requires the City to maintain workers' compensation insurance against liability for compensation under the Workers Compensation Insurance and Safety Act of California or any similar law.

**Fire and Extended Coverage.** The Lease Agreement requires the City to maintain City insurance against loss or damage to any structures constituting any part of the Leased Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. The extended coverage insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

This insurance must be in an amount equal to the greater of (a) 100% of the replacement cost of such structures on the Leased Premises or (b) the principal amount of the outstanding Certificates. The fire and extended coverage insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss,

may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the City, and may not be maintained in whole or in part in the form of self-insurance by the City.

**Rental Interruption or Use and Occupancy Insurance.** The Lease Agreement requires the City to maintain rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any structures constituting any part of the Leased Premises as a result of any of the hazards covered in the fire and extended coverage policy, in an amount sufficient to pay the maximum Lease Payments with respect thereto payable in any 12-month period.

The Net Proceeds of an rental interruption or use and occupancy insurance will be paid to the Trustee and deposited in the Lease Payment Fund, and will be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

**Title Insurance.** Upon the execution and delivery of the Certificates the City will provide one or more CLTA leasehold title insurance policies in the aggregate amount of not less than the initial principal amount of the Certificates with respect to the City's leasehold interest in the Site. All Net Proceeds received under the title insurance policy will be deposited with the Trustee in the Lease Payment Fund and shall be credited towards the prepayment of the remaining Lease Payments. Because of the nature of the Streets, the City will not acquire title insurance covering the Streets.

*No assurance can be given that insurance proceeds will be adequate to avoid an interruption of Lease Payments. Under such a situation, an abatement of Lease Payments is likely to occur. See "RISK FACTORS – Abatement" below.*

#### **Additional Payments**

The City is responsible for all improvement, repair and maintenance of the Leased Premises, for the payment of all utility services supplied to the Leased Premises, and for the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear or want of care on the part of the City or any assignee or lessee thereof.

The City will also pay all taxes and assessments of any type or nature payable during the Term of the Lease Agreement.

### **THE CITY**

The following information provides a general overview of the City:

#### **Profile of the City of Los Alamitos**

The City of Los Alamitos, which has a population of approximately 11,779 as of January 1, 2015 and is 4.3 square miles, is located in the northwest section of Orange County. The City is located in Southern California, 30 miles from downtown Los Angeles and 10 miles from Anaheim. The City is 10 miles northeast of the seaport terminal of Long Beach, and 13 miles northeast of the Port of Los Angeles. Neighboring communities include Long Beach, Seal Beach, Cypress and Garden Grove.

The City of Los Alamitos is a Charter City and was incorporated on March 1, 1960. The City has a Council-Member form of government. The City Council appoints the City Manager, who is responsible for the day-to-day administration of City business and the coordination of all City departments. The City Council is comprised of five members elected bi-annually to four-year alternating terms. The City Council annually elects a Mayor from its members. The City employs a staff of 50 full-time employees.

The annual budget serves as the foundation for the City's financial planning and control. The City Council holds public hearings and adopts an annual budget resolution by July 1 of each fiscal year for all funds

and account groups. The City Council may modify appropriations with majority approval. The budgets are adopted and presented on a basis consistent with generally accepted accounting principles, and are balanced at the time of adoption.

Changes in budget appropriations at the fund level during the year must be approved by the City Council. The legal level of expenditures is controlled at the fund level, and appropriations lapse at the end of each fiscal year unless encumbered for re-appropriations by the City Council in the following fiscal year. Department heads may, without Council approval, amend individual line items within any fund in the maintenance and operations portions of the budget without increasing total appropriations for that division. The City Manager may, without divisions and programs, in the personnel costs, maintenance and operations, capital outlay and capital projects portions of the budget without increasing total appropriations for that fund.

### **City Council**

The City was incorporated in 1960 and operates as a charter city. The City operates under a council-member form of government, and is governed by a five-member City Council elected at large with four-year staggered terms. The Mayor is elected by the Council Members each year. The positions of City Clerk, City Manager and City Attorney are filled by appointment of City Council. The following are the current members of the City Council:

#### **CITY COUNCIL**

<b><u>Councilmember</u></b>	<b><u>Term Expires</u></b>
Richard D. Murphy, Mayor	November 2016
Troy D. Edgar, Mayor Pro-Tem	November 2018
Dean Grose, Council Member	November 2016
Shelley Hasselbrink, Council Member	November 2018
Warren Kusumoto, Council Member	November 2018

### **Administrative Personnel**

*City Manager.* Bret Plumlee was appointed City Manager in November 2013. Mr. Plumlee has worked in seven different cities in a variety of positions since 1984. He worked in various positions over the years as Finance Director, Administrative Services Director and Assistant City Manager. His career has progressed from Administrative Intern in the Finance Department at the City of La Mirada in 1987 to Assistant City Manager at the City of La Quinta in 2007. He has been a City Manager for the past 4 years.

He was City Manager at the City of La Puente from 2011 through 2013, and he is currently working as the City Manager in the City of Los Alamitos where he started in November 2013. Mr. Plumlee has a Bachelor's Degree in Economics from University California at Irvine and a Bachelor's Degree in Accounting from California State University at Long Beach.

*Administrative Services Director/Treasurer.* Jason Al-Imam joined the City of Los Alamitos in November 2014 where he serves as the Administrative Services Director and Treasurer. Prior to joining the City of Los Alamitos, Mr. Al-Imam served as Controller for the City of Riverside from 2009 to 2014 and from 2003 to 2009 Mr. Al-Imam worked in public accounting working predominantly in the performance of audits of city governments. Mr. Al-Imam holds a Bachelor of Arts in Business Administration from Vanguard University of Southern California

See APPENDIX A - "CITY OF LOS ALAMITOS GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" for a general description of the City as well as certain demographic and statistical information.

## **Effect of State Budget on General Fund Revenues**

State budgets and budget policies can have either a positive or a negative effect on the City's financial condition. State budgets are affected by national and State economic conditions and other factors over which the City has no control. The City monitors fiscal measures taken by the State for their potential effects on the City's General Fund revenues and expected cash flows. 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. See APPENDIX A – "CITY OF LOS ALAMITOS GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION."

## **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.

The opinions of counsel, including Special Counsel, delivered in connection with the execution and delivery of the Certificates 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.

In addition, failure by large property owners to pay property taxes when due may have an adverse impact on revenues available to pay Lease Payments.

## **State Law Limitations on Appropriations**

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Lease Payments may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIII B of the California Constitution" below.

## **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 and therefore a reduction of the funds legally available to the City to make Lease Payments. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218."

## **Loss of Tax Exemption**

As discussed under "CONCLUDING INFORMATION - Tax Matters" herein, the interest represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date such Certificates were issued, as a result of future acts or omissions of the City in violation of its covenants in the Trust Agreement and the Lease Agreement. Should such an event of taxability occur, the Certificates are not subject to early prepayment and will remain outstanding until maturity or until prepaid under one of the prepayment provisions contained in the Trust Agreement.

## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

### Article XIII A of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property.

Section 4 of Article XIII A also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

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

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City’s appropriation limit was \$16,416,571 for fiscal year 2013-14 and \$16,531,136 for fiscal year 2014-15, which is well above the total City budget amounts for both years.

### **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City’s general fund, require a two-thirds vote. Further, any general purpose tax that the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held within two years of November 5, 1996. The City has not enacted, imposed, extended or increased any tax without voter approval since January 1, 1995. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through

general fund taxes, 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 requirements.

Article XIIC also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. SB 919 provides that the initiative powers extended to voters under Article XIIC likely excludes actions construed as impairment of contracts under the contract clause of the United States Constitution. SB 919 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 November 6, 1998, 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 which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City’s general fund. Further, “fees” and “charges” are not defined in Article XIIC or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIC as they do in Article XIID. Accordingly, the scope of the initiative power under Article XIIC could include all sources of general fund monies not received from or imposed by the Federal or State government or derived from investment income.

The initiative power granted under Article XIIC of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges. The City is unable to predict whether the courts will ultimately interpret the initiative provision to be limited to property related local taxes, assessments, fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the City’s general fund. The City believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the City, including its general fund, would be materially adversely affected. As a result, there can be no assurances that the City would be able to pay the Lease Payments as and when due or any of its other obligations payable from the general fund.

Article XIID of Proposition 218 adds several new requirements to make it more difficult for local agencies to levy and maintain “assessments” for municipal services and programs. “Assessment” is defined in Proposition 218 and SB 919 as any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in City service areas and in special districts. In most instances, in the event that the City is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the general fund to finance such programs. Accordingly, the City anticipates that any impact Proposition 218 may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the City to pay the Lease Payments as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

Article XIID also adds several provisions, including notice requirements and restrictions on use, affecting “fees” and “charges” which are defined as “any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” The annual amount of revenues that are received by the City and deposited into its general fund which may be considered to be property related fees and charges under Article XIID of Proposition 218 is not substantial. Accordingly, presently the City does not anticipate that any impact Proposition 218 may have on future fees and charges will adversely affect the ability of the City to pay the Lease Payments as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the City.

### **Proposition 1A of 2004**

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and effective in 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 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. Such shifting occurred in the 2009-10 Fiscal Year. 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 VLF rate then in effect, 0.65 percent 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 25 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 finances of the City.

### **Proposition 22**

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

### **Proposition 26**

On November 2, 2010, the voters passed Proposition 26, which amends the State Constitution to require that certain State and local fees be approved by two-thirds of each house of the Legislature instead of a simple majority, or by local voters. The change in law affects regulatory fees and charges such as oil recycling fees, hazardous materials fees and fees on alcohol containers.

Proposition 26 included a provision that repealed State laws enacted between January 1, 2010, and November 2, 2010, that raised fees by a simple majority vote unless they were approved again by two-thirds of each house of the Legislature. The repeal become effective November, 2011.

The Legislative Analyst's Office was unable to specify Proposition 26's anticipated fiscal impact, but it estimated that passage of Proposition 26 would reduce government revenues and spending over time by up to billions of dollars annually compared to what otherwise would have occurred.

## **Future Initiatives**

Article XIII A, Article XIII B, Proposition 218, Proposition 1A and Proposition 22 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, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

## **RISK FACTORS**

*This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Certificates. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Certificates, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Certificates are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

## **Lease Payments Are Not Debt**

The obligation of the City to make the Lease Payments under the Lease Agreement does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Lease Payments does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the City, in its discretion, may determine to pay prior to the Lease Payments.

The City has the capacity to enter into other obligations payable from the City's general fund, without the consent of or prior notice to the Owners of the Certificates. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII B of the California Constitution."

## **Valid and Binding Covenant to Budget and Appropriate**

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon delivery of the Certificates, Special Counsel will render its opinion, substantially

in the form of APPENDIX D – “PROPOSED FORM OF FINAL OPINION,” to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the City.

### **Earthquakes**

The City is not legally obligated under the Lease Agreement to maintain, or cause to be maintained, earthquake insurance on the Site and no assurance is made that any earthquake insurance will be maintained. If there were to be an occurrence of severe seismic activity in the City, there could be substantial damage to and interference with the City’s right to use and occupy all or a portion of the Site, which could result in Lease Payments being subject to abatement. Additionally, severe seismic activity in the City could impact the City’s general fund expenditures. See “CERTAIN RISK FACTORS - Abatement” above.

### **Risk of Uninsured Loss**

The City covenants under the Lease Agreement to maintain certain insurance policies on the Site. See “SOURCE OF PAYMENT FOR THE CERTIFICATES - Insurance.” These insurance policies do not cover all types of risk, and the City need not obtain insurance except as available on the open market from reputable insurers. For instance, the City does not covenant to maintain earthquake insurance. The Site could be damaged or destroyed due to earthquake or other casualty for which the Site is uninsured. Additionally, the Site could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City’s liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Site will be sufficient to redeem the Certificates.

Under the Lease Agreement the City may obtain casualty insurance which provides for a deductible. Should the City be required to meet such deductible expenses, the availability of general fund revenues to make Lease Payments may be correspondingly affected.

The City is not obligated under the Lease Agreement to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Site. Depending on its severity, an earthquake could result in abatement of Lease Payments under the Lease Agreement. See “- Abatement.”

### **Abatement**

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Site caused by material damage, title defect, destruction to or condemnation of the Site, Lease Payments will be subject to abatement. In the event that such component of the Site, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City’s rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Site or redemption of the Certificates, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease Agreement does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Site is substantially higher or lower than its value at the time of the execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

## **Hazardous Substances**

The existence or discovery of hazardous materials may limit the beneficial use of the Site. In general, the Owners and Lessees of the Site may be required by law to remedy conditions of such parcel relating to release 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 similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Site may be limited in the future resulting from the current existence on the Site of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Site of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Site.

The City is unaware of the existence of hazardous substances on the Site which would materially interfere with the beneficial use thereof.

## **Eminent Domain**

If the Site is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Site is taken permanently, or if the Site or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Site. The City covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Payments in whole, if all the Site is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Site is condemned.

## **Bankruptcy**

The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event 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 proceeding. Among the adverse effects of such a bankruptcy 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; (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 court-approved secured debt which may have a priority of payment superior to that of Owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of Certificates, 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.

In addition, the City could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease Agreement, the Trustee, on behalf of the Owners of the

Certificates, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreement and the City's obligations to make payments thereunder.

### **Limitations on Remedies**

The rights of the Owners of Certificates are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of Certificates and the Trustee could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the City under the Lease Agreement.

All legal opinions with respect to the enforcement of the Lease Agreement and the Trust Agreement will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

### **Risk of Tax Audit**

In December 1999, as a part of a larger reorganization, the Internal Revenue Service (the "Service"), commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by Service officials indicate that the number of tax-exempt bond examinations (which would include securities such as the Certificates) is expected to increase significantly under the new TE/GE Division. There is no assurance that if an examination of the Certificates was undertaken that it would not adversely affect the market value of the Certificates. See "TAX MATTERS." The City has not been contacted by the Service regarding the examination of any of its bond transactions.

### **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for Federal income tax purposes of the interest with respect to the Certificates, the City has covenanted in the Lease Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest with respect to the Certificates under section 103 of the Code. Interest with respect to the Certificates could become includable in gross income for purposes of Federal income taxation retroactive to the date the Certificates were delivered, as a result of acts or omissions of the City in violation of the Code. Should such an event of taxability occur, the Certificates are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption or mandatory sinking fund redemption provisions of the Trust Agreement.

### **Limited Secondary Market**

As stated herein, investment in the Certificates poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the Certificates should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Certificates or, if a secondary market exists, that the Certificates can or could be sold for any particular price.

## **Changes in Law**

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the general fund revenues of the City and consequently, having an adverse effect on the security for the Certificates.

## **Impact of State Budget**

The City receives a significant portion of its general fund revenues from payments made by the State. The City cannot predict the effect that the general economic conditions within the State and the State's budgetary problems may have in the future on the City budget or operations or on its ability to make payments of principal and interest with respect to the Certificates.

## **ABSENCE OF LITIGATION**

At the time of delivery of and payment for the Certificates, the City will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the City or the Corporation affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the City and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, Corporation or any other applicable agreements or any action of the City or the Corporation contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or the Corporation or their authority with respect to the Certificates or any action of the City or the Corporation contemplated by any of said documents, nor, to the knowledge of the City or the Corporation, is there any basis therefor.

## **CONTINUING DISCLOSURE**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the City has covenanted for the benefit of holders of the Certificates to provide certain financial information and operating data relating to the City and the balances of funds relating to the Certificates, by not later than March 1 of each fiscal year commencing with the report for the 2014-15 fiscal year (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. The Annual Information and notices of material events will be filed by the City or the Dissemination Agent, with the Municipal Securities Rulemaking Board (the "MSRB"), via its Electronic Municipal Market Access ("EMMA") system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX G – FORM OF CONTINUING DISCLOSURE CERTIFICATE. [COMPLIANCE WITH DISCLOSURE OBLIGATIONS ]

## **CONCLUDING INFORMATION**

### **Sale of the Certificates**

The Certificates were sold by competitive bid on \_\_\_\_\_, 2015. The Certificates were awarded to \_\_\_\_\_ (the "Underwriter"), who submitted the lowest true interest cost bid, at a purchase price of \$ \_\_\_\_\_. Under the terms of its bid, the Underwriter will be obligated to purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Special Counsel, and certain other conditions to be satisfied by the City.

The Underwriter has provided the reoffering prices or yields for the Certificates set forth on the inside cover of this Official Statement, and the City undertakes no responsibility for the accuracy of those prices or

yields. Based on the reoffering prices, the original issue premium/discount on the reoffering of the Certificates is \$ \_\_\_\_\_ and the Underwriter's gross compensation (or "spread") is \$ \_\_\_\_\_.

### **Legal Opinion**

Best Best & Krieger LLP, Riverside, California, Special Counsel, will render an opinion substantially in the form of APPENDIX D hereto with respect to the validity and enforceability of the City's obligations under the Lease Agreement and the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement.

Certain matters will be passed upon for the City and the Corporation by the City Attorney, Wallin, Kress, Reisman & Krantz, LLP.

Fees payable to Special Counsel are contingent upon execution and delivery of the Certificates.

### **Tax Matters**

In the opinion of Special Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, provided however, that for the purpose of calculating federal corporate alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings, and the Certificates are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Certificates.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The City has covenanted to comply with certain restrictions designed to insure that interest on the Certificates will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Certificates being included in federal gross income, possibly from the date of original issuance of the Certificates, or may cause the Certificates to not be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code. The opinion of Special Counsel assumes compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Certificates may adversely affect the value of, or the tax status of interest on, the Certificates.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Certificate Owners from realizing the full current benefit of the tax status of such interest. For example, from time to time legislative proposals are announced which generally would limit the exclusion from gross income of interest on obligations like the Certificates to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Certificates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. PROSPECTIVE PURCHASERS OF THE CERTIFICATES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION, AND

**REGARDING THE IMPACT OF FUTURE LEGISLATION, REGULATIONS OR LITIGATION, AS TO WHICH SPECIAL COUNSEL EXPRESSES NO OPINION.**

Certain requirements and procedures contained or referred to in the Trust Agreement, the Lease Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Certificates) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Special Counsel expresses no opinion as to the exclusion from gross income of interest on any Certificate if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Best Best & Krieger LLP.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of other similar bonds).

Although Special Counsel is of the opinion that interest on the Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Certificates may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder or the Owner's other items of income or deduction, and Special Counsel expresses no opinion regarding any such other tax consequences.

A copy of the proposed form of opinion of Special Counsel is attached hereto as APPENDIX D.

**Litigation**

The City is not aware of any pending or threatened litigation concerning the validity of the Certificates or the Lease Agreement or challenging any action taken by the City or the Corporation with respect to the Certificates or the Lease Agreement. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Lease Agreement or the Trust Agreement or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing. Although there are a number of lawsuits and claims pending and threatened against the City, it is the opinion of the City that such litigation, claims and threatened litigation will not materially affect the City's finances or impair its ability to make Lease Payments or otherwise meet its obligations under the Lease Agreement.

**Ratings**

Standard & Poor's Credit Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned the Certificates a rating of "\_\_\_\_\_."

Ratings reflect only the views of the rating agency referred to in the previous paragraph. Explanations of the significance of such ratings must be obtained from the rating agencies. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

**Miscellaneous**

All of the descriptions of applicable law, the Lease Agreement, the Trust Agreement, the Leased Premises, the City, the Corporation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates. 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 realize.

The execution and delivery of this Official Statement has been duly authorized by the City Council of the City.

CITY OF LOS ALAMITOS, CALIFORNIA

By: \_\_\_\_\_  
Richard D. Murphy, Mayor

## APPENDIX A

### CITY OF LOS ALAMITOS GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

*The following information regarding the City and the surrounding area of Orange County is presented as general background data. The Certificates are payable solely from the sources described herein (see "SECURITY FOR THE CERTIFICATES"). None of the taxing power of the City of Los Alamitos, the County of Orange, the State of California or any political subdivision thereof is pledged to the payment of the Certificates*

#### **Profile of the City of Los Alamitos**

The City of Los Alamitos, which has a population of approximately 11,779 and is 4.3 square miles, is located in the northwest section of Orange County. The City is located in Southern California, 30 miles from downtown Los Angeles and 10 miles from Anaheim. The City is 10 miles northeast of the seaport terminal of Long Beach, and 13 miles northeast of the Port of Los Angeles. Neighboring communities include Long Beach, Seal Beach, Cypress and Garden Grove.

The City of Los Alamitos is a Charter City and was incorporated on March 1, 1960. The City has a Council-Member form of government. The City Council appoints the City Manager, who is responsible for the day-to-day administration of City business and the coordination of all City departments. The City Council is comprised of five members elected bi-annually to four-year alternating terms. The City Council annually elects a Mayor from its members. The City employs a staff of 50 full-time employees.

#### **Services and Facilities**

*Public Safety and Welfare.* The City provides law enforcement services. The Police Department currently employs 23 sworn officers. Fire protection services are provided through a contractual arrangement with the Orange County Fire Authority and one fire station is located within the City.

*Public Services.* Water services is provided by Golden State Water Company. Sewer service is provided by the Los Alamitos Sewer District which provides collection services and Orange County Sanitation District which provides sewer treatment services. The Gas Company and Southern California Edison provide gas and electric utilities, respectfully.

*Public Works.* Additional services include parkway and median maintenance improvements, refuse management, zoning and development administration, environmental review, code enforcement and street tree maintenance.

## Population

As of January 1, 2015 the population of the City was approximately 11,779, an increase of approximately 0.5 % percent over the census population of the City in 2014. The following table presents population data for both the City and County.

**TABLE 1  
POPULATION**

<u>Year</u>	<u>City of Los Alamitos</u>	<u>Orange County</u>
1960 <sup>(1)</sup>	N/A	719,500
1970 <sup>(2)</sup>	10,950	1,421,233
1980	11,528	1,691,500
1990	11,550	2,398,400
2000	11,536	2,846,289
2010 <sup>(3)</sup>	11,449	3,010,232
2011	11,472	3,028,846
2012	11,561	3,057,233
2013	11,646	3,087,715
2014	11,725	3,114,209
2015	11,779	3,147,655

<sup>(1)</sup> As of July 1, 1960.

<sup>(2)</sup> As of April 1, 1970.

<sup>(3)</sup> As of April 1, 2010.

Sources: California Department of Finance, Demographic Research Unit.

## Financial Statements

The City's accounting policies conform to generally accepted accounting principles applicable to governmental agencies. The audited financial statements also conform to the principles and standards for public financial reporting established by the Governmental Accounting Standards Board, which is the accepted standard-setting body for governmental accounting financial reporting principles.

*Basis of Accounting and Financial Statement Presentation.* The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

*Audited Financial Statements.* The City retained the firm of Moss, Levy & Hartzheim, LLP, San Diego, California (the "City's Auditor"), to examine the general purpose financial statements of the City as of and for the year ended June 30, 2014. The audited financial statements for fiscal year ended June 30, 2014, are included in APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2013-14." The City has not requested, and the City's Auditor has not provided, any review or update of such financial statements in connection with their inclusion in this Official Statement. Each year the City submits for and has historically received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada.

## City Financial Data

The following tables provide a five-year history of the City's Comparative Balance Sheet, General Fund revenues, expenditures, transfers, and ending fund balances. See also "City Budget" below for budgeted revenues and expenses for Fiscal Year 2014-15.

**TABLE 2  
CITY OF LOS ALAMITOS  
GENERAL FUND BALANCE SHEET  
(AS OF JUNE 30 EACH YEAR)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>ASSETS:</b>					
Pooled Cash and Investments	\$5,942,006	\$7,039,093	\$7,338,171	\$7,421,846	\$7,102,246
Receivables:					
Accounts	697,404	412,340	640,174	559,367	475,736
Employee Computer Loans	4,738	3,591	7,018	5,921	8,196
Accrued Interest	11,466	11,718	8,840	5,301	4,800
Notes	--	--	--	--	--
Due from other Governments	604,108	411,255	472,876	417,561	445,278
Due from other Funds	--	301,987	150,597	226,017	1,213,720
Restricted Assets:					
Cash and Investments with Fiscal Agent	--	--	--	--	--
<b>TOTAL ASSETS</b>	<b>\$7,259,722</b>	<b>\$8,179,984</b>	<b>\$8,617,676</b>	<b>\$8,636,013</b>	<b>\$9,249,976</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts Payable	\$ 449,001	\$ 359,958	\$ 547,115	\$ 458,995	\$ 523,867
Accrued Liabilities	200,951	282,511	188,442	204,110	272,299
Due to other Funds	--	--	--	--	--
Deferred Revenues	355,724	52,126	86,566	69,079	65,203
Deposits Payable	31,587	70,620	42,449	42,698	75,832
<b>TOTAL LIABILITIES</b>	<b>\$1,037,263</b>	<b>\$ 765,215</b>	<b>\$ 864,572</b>	<b>\$ 774,882</b>	<b>\$ 937,201</b>
Deferred Inflows of Resources	--	--	--	--	\$ 37,989
Unearned Revenue-Unavailable					
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$ 37,989</b>
<b>FUND BALANCES (DEFICIT):</b>					
Reserved for Encumbrances	--	--	--	--	--
Nonspendable	--	\$ 3,591	\$ 7,018	\$ 5,921	\$ 8,196
Restricted	--	--	--	--	--
Assigned	--	3,250,000	3,250,000	3,770,333	7,048,565
Unassigned	--	4,161,178	4,496,086	4,084,877	1,218,025
Reserved For:					
Loans Receivable	\$ 4,738	--	--	--	--
Debt Service	--	--	--	--	--
Unreserved:					
Designated Reported In:					
General Fund	2,800,000	--	--	--	--
Special Revenue Funds	--	--	--	--	--
Undesignated Reported In:					
General Fund	3,417,721	--	--	--	--
Special Revenue Funds	--	--	--	--	--
Capital Projects Funds	--	--	--	--	--
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>\$6,222,459</b>	<b>\$7,414,769</b>	<b>\$7,753,104</b>	<b>\$7,861,131</b>	<b>\$8,274,786</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$7,259,722</b>	<b>\$8,179,984</b>	<b>\$8,617,676</b>	<b>\$8,636,013</b>	<b>\$9,249,976</b>

Source: City of Los Alamitos Comprehensive Annual Financial Report for Fiscal Years ending June 30, 2010 through 2014.

**TABLE 3**  
**CITY OF LOS ALAMITOS**  
**STATEMENT OF GENERAL FUND**  
**REVENUES, EXPENDITURES AND BALANCES**  
**(Fiscal Year Ending June 30)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>REVENUES</b>					
Taxes	\$ 7,635,625	\$ 7,949,816	\$ 7,613,069	\$ 8,636,170	\$ 8,904,575
Licenses and permits	603,776	628,684	1,246,716	693,917	936,914
Intergovernmental	321,428	87,636	25,808	24,238	21,338
Charges for services	897,830	1,335,210	1,319,167	1,454,247	1,367,472
Investment earnings	28,216	20,600	9,991	7,513	1,746
Fines and forfeitures	612,442	597,316	438,839	614,835	709,809
Contributions	--	--	--	--	--
Miscellaneous	<u>158,662</u>	<u>224,447</u>	<u>189,225</u>	<u>31,547</u>	<u>374,554</u>
<b>TOTAL REVENUES</b>	<b>\$10,257,979</b>	<b>\$10,843,709</b>	<b>\$10,842,815</b>	<b>\$11,462,467</b>	<b>\$12,316,408</b>
<b>EXPENDITURES</b>					
Current:					
General government	\$ 2,071,156	\$ 1,845,374	\$ 2,076,986	\$ 1,845,032	\$ 2,062,217
Public safety	4,920,546	4,735,873	4,908,321	5,278,040	5,874,051
Community development	562,022	525,541	623,121	737,071	829,492
Recreation and community services	1,156,890	1,526,633	1,569,593	1,888,587	1,619,944
Public works	1,561,556	1,558,760	1,603,338	1,764,285	1,685,820
Capital outlay	--	--	--	--	--
Debt Service:					
Principal	--	--	--	--	--
Interest and fiscal charges	--	--	--	--	--
<b>TOTAL EXPENDITURES</b>	<b>\$10,272,170</b>	<b>\$10,192,181</b>	<b>\$10,781,359</b>	<b>\$11,513,015</b>	<b>\$12,071,524</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(14,191)</u></b>	<b><u>651,528</u></b>	<b><u>61,456</u></b>	<b><u>(50,548)</u></b>	<b><u>244,884</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 371,081	\$ 750,482	\$ 502,787	\$ 373,339	\$ 394,824
Transfers out	<u>(264,371)</u>	<u>(209,700)</u>	<u>(212,667)</u>	<u>(214,764)</u>	<u>(226,053)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 106,710</b>	<b>\$ 540,782</b>	<b>\$ 290,120</b>	<b>\$ 158,575</b>	<b>\$ 168,771</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 92,519</b>	<b>\$ 1,192,310</b>	<b>\$ 351,576</b>	<b>\$ 108,027</b>	<b>\$ 413,655</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>--</b>	<b>--</b>	<b>(13,241)</b>	<b>--</b>	<b>--</b>
<b>FUND BALANCES – BEGINNING OF YEAR</b>	<b><u>\$ 6,129,940</u></b>	<b><u>\$ 6,222,459</u></b>	<b><u>\$ 7,401,528</u></b>	<b><u>\$ 7,753,104</u></b>	<b><u>\$ 7,861,131</u></b>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 6,222,459</b>	<b>\$ 7,414,769</b>	<b>\$ 7,753,104</b>	<b>\$ 7,861,131</b>	<b>\$ 8,274,786</b>

Source: City of Los Alamitos Comprehensive Annual Financial Report for Fiscal Years ending June 30, 2010 through 2014.

**Budgetary Process**

The Fiscal Year of the City begins on the first day of July each year and ends on the thirtieth day of June of the following year.

At such date as the City Manager determines, each department head must furnish to the City Manager an estimate of revenues and expenditures for such department for the ensuing Fiscal Year, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences thereon with the respective department heads and the citizens' Budget Review Committee, and revises the estimates as deemed advisable.

Prior to the beginning of each Fiscal Year, the City Manager submits to the City Council the proposed budget. City Council consideration of said proposed budget takes place at a public hearing held not less than ten

days after publication of notice of the hearing. Copies of the proposed budget are available for inspection by the public in the office of the City Clerk, and on the City's website at least ten days prior to the hearing.

At the conclusion of the public hearing, the City Council further considers the proposed budget and makes any revision thereof that it deems advisable. On or before June 30 it adopts the budget with revisions, if any, by the affirmative vote of the majority of the City Council.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the various departments for the objects and purposes named, provided that the City Manager may transfer the appropriations of a fund from one object or purpose to another. All appropriations lapse at the end of the Fiscal Year to the extent that they have not been amended or lawfully encumbered.

At a public meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of the majority of the City Council.

The City Council employs, at the beginning of each Fiscal Year, an independent public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as the City Council shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the Fiscal Year is published.

The following tables summarize the Fiscal Year 2015-16 City Budget and estimated actual results for Fiscal Year 2014-15, and summarize the final Fiscal Year 2014-15 General Fund Budget of the City.

**TABLE 4**  
**CITY OF LOS ALAMITOS**  
**GENERAL FUND BUDGET**  
**(Fiscal Years 2014-15 and 2015-16)**

	<b>2014-2015</b>	<b>2014-15</b>	<b>2015-2016</b>
	<b><u>Budgeted</u></b>	<b><u>Projected</u></b>	<b><u>Budgeted</u></b>
		<b><u>Year End</u></b>	
<b>REVENUES:</b>			
Property Taxes	\$ 3,193,049	\$ 3,193,049	\$ 3,303,616
Sales & Use Taxes	2,992,000	3,019,000	3,272,000
Utility Users Taxes	2,217,598	2,247,598	2,291,944
Transient Occupancy Tax	115,000	115,000	120,000
Franchise Fees	676,284	676,284	687,600
Licenses and Permits	742,902	742,902	746,915
Fines and Forfeitures	594,900	694,900	660,000
Investment Earnings	38,000	38,000	57,000
Revenue from other Agencies	98,403	98,403	122,330
Charges for Services	1,282,564	1,282,564	1,494,074
Miscellaneous Revenues	68,519	68,519	75,500
Interfund Transfers	<u>388,317</u>	<u>370,817</u>	<u>365,667</u>
Total revenues	\$12,407,536	\$12,547,036	\$13,196,646
<b>EXPENDITURES:</b>			
Operating Expenditures and Transfers	\$12,295,072	\$12,181,826	\$13,195,015
Non-Operating Expenditures and Transfers	<u>1,215,000</u>	<u>1,300,000</u>	<u>0</u>
Total Expenditures	\$13,510,072	\$13,481,826	\$13,195,015
<b>SURPLUS/(DEFICIT)</b>	<b>\$(1,102,536)</b>	<b>\$ (934,790)</b>	<b>\$ 1,631</b>

Source: City of Los Alamitos.

In connection with the City's ongoing policy of maintaining contingency revenues, the City expects its accumulated general fund balance to be approximately \$7.3 million at the end of fiscal year 2014-15, representing more than 55% of fiscal year 2015-16 budgeted expenditures.

## Taxes and Other Revenue

The City receives the following local taxes and revenue, approximately 50% of sales taxes are produced by 13 sales taxpayers. In the following sections, each of these sources of local tax revenue is discussed in greater detail.

**TABLE 5  
CITY OF LOS ALAMITOS  
OTHER TAX REVENUES BY SOURCE**

REVENUES:	2010-2011 <u>Actual</u>	2011-2012 <u>Actual</u>	2012-2013 <u>Actual</u>	2013-2014 <u>Actual</u>	2014-2015 Projected <u>Year End</u>
Property Taxes	\$ 2,904,974	\$ 2,848,583	\$ 3,005,410	\$ 3,109,888	\$ 3,193,049
Sales & Use Taxes	2,284,711	2,594,047	2,746,011	2,836,328	3,019,000
Utility Users Taxes	2,132,011	2,082,642	2,160,281	2,188,435	2,247,598
Transient Occupancy Tax	80,080	87,798	103,710	112,866	115,000
Franchise Fees	595,092	640,400	620,757	657,058	676,284
Licenses and Permits	687,972	640,905	844,285	1,049,678	742,902
Fines and Forfeitures	597,317	438,839	614,835	709,809	694,900
Investment Earnings	20,600	9,991	7,513	1,746	38,000
Revenue From Other Agencies	87,636	29,509	24,603	116,576	98,403
Charges for Services	1,273,053	1,282,112	1,309,088	1,254,708	1,282,564
Miscellaneous Revenues	430,264	187,989	25,977	279,312	68,519
Interfund Transfers	<u>500,482</u>	<u>502,787</u>	<u>373,339</u>	<u>394,824</u>	<u>370,817</u>
<b>Total Revenues</b>	<b>\$11,594,192</b>	<b>\$11,345,602</b>	<b>\$11,835,809</b>	<b>\$12,711,228</b>	<b>\$12,547,036</b>

Source: City of Los Alamitos.

## Sales Taxes

Sales and use taxes represent the largest source of general fund tax revenue to the City. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State. However, the State budget situation has resulted in a temporary redirection of sales tax revenues from the City to the State. See “- State Budget Information,” herein.

A sales tax is imposed on the privilege of consuming personal property in California. California does not tax services. The tax rate is established by the State Legislature, and is presently 7.50%, Statewide. In addition, many of California’s cities, counties, towns and communities have special taxing jurisdiction to impose a transaction (sales) or use tax. These so-called district taxes increase the tax rate in a particular area by adding the local option tax to the Statewide tax. The City does not have a local option tax. These district taxes can vary up to 1%, and more than one district tax may be in effect for a particular location. The City’s share of sales tax is approximately 1% when one considers the combined City share of 0.75% and the State’s 0.25% Fiscal Recovery Funding (Triple-Flip swap) explained below. With the enactment of the Triple Flip, the City now receives the 0.25% as reclassified revenue through property tax as an in lieu remittance, the payment of which heretofore coincides with the County property tax calendar. The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

In 1978, the voters of the State passed Proposition 8, a constitutional amendment to Article XIII A that allows a temporary reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the current market value of real property is less than the current assessed (taxable) factored base year value as of the lien date, January 1. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII A of the California Constitution.”

On March 2, 2004, voters approved a Statewide bond initiative formally known as the “California Economic Recovery Act.” This act authorized the issuance of \$15 billion of Economic Recovery Bonds to finance ongoing State budget deficits, which are payable from a fund established by the redirection of tax

revenues known as the “Triple Flip.” The State issued \$11.3 billion of Economic Recovery Bonds prior to June 30, 2004. Under the “Triple Flip,” one-quarter of local governments’ one percent share of the sales tax imposed on taxable transactions within their jurisdiction is being redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, State legislation provides for certain property taxes to be redirected to local government. Because these property tax monies were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. It is expected that the swap of sales taxes for property taxes will terminate once the Economic Recovery Bonds are repaid, which is currently expected to occur in approximately 9 to 13 years. See “RISK FACTORS - State Budget Information” herein.

A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. Effective January 1, 2002, the aggregate tax rate in the State is 7.50%. An additional 0.50% is collected in Orange County for transportation purposes.

Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City’s share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**TABLE 6  
CITY OF LOS ALAMITOS  
Sales Tax Rates  
Fiscal Year 2015-16**

<u>Jurisdiction</u>	<u>Rate</u>
State (General Fund includes K-12/Community College)	3.9375%
State (Fiscal Recovery Triple Flip)	0.25
State (Local Public Safety Fund)	0.50
Realignment (Mental Health/Welfare/Public Safety)	1.5625
County	0.25
City/County General Fund (Bradley Burns)	0.75
Orange County Transportation Authority	<u>0.50</u>
Total:	<u>8.00 %</u>

Source: California State Board of Equalization.

*History of Taxable Transactions.* Total taxable transactions reported in the City during calendar year 2014 amounted to \$297,050,300, a 3.9% increase over the total taxable transactions of \$285,980,400 that were reported during calendar year 2013.

A summary of historic taxable transactions within the City is shown in the following table.

**TABLE 7  
CITY OF LOS ALAMITOS  
TAXABLE TRANSACTIONS  
FOR CALENDAR YEARS 2010 THROUGH 2014**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Retail Group</b>					
Apparel Stores	\$ 21,893	\$ 20,401	\$ 23,010	\$ 24,674	\$ 27,805
Auto Dealers and Supplies	68,810	75,204	78,323	78,958	56,849
Building Materials	489,547	459,651	563,831	665,222	797,963
Drug Stores	25,357	33,937	40,185	42,660	36,069
Eating and Drinking Places	360,674	389,836	355,711	420,160	460,782
Food Stores	50,456	50,936	50,431	55,705	63,885
Furniture and Appliances	47,680	48,281	62,344	82,903	71,402
General Merchandise	7,765	5,432	4,117	3,612	2,499
Other Retail Stores	126,387	122,904	170,706	208,035	204,770
Packaged Liquor	9,588	14,867	8,762	7,408	4,609
Service Stations	<u>159,961</u>	<u>196,586</u>	<u>205,235</u>	<u>188,363</u>	<u>200,083</u>
Total Retail Group	\$1,368,118	\$1,508,035	\$1,562,653	\$1,777,699	\$1,926,716
<b>Non-Store &amp; Part Time Retailers</b>	\$ 5,116	\$ 5,110	\$ 4,070	\$ 4,219	\$ 4,717
<b>Business, Service &amp; Repair Group</b>	\$ 179,194	\$ 284,472	\$ 200,033	\$ 183,639	\$ 172,131
<b>Manufacturer &amp; Wholesaler Group</b>					
Contractors & Material	\$26,565	\$ 20,284	\$ 11,988	\$ 14,478	\$ 13,940
Drugs & Chemical	495	7	0	9	0
Food/Farm Products & Equipment	54,993	58,932	62,888	26,753	69,392
Furniture & Textiles	1,855	2,038	3,744	5,646	6,220
Heavy Industrial Equipment	89,989	98,535	99,193	115,140	121,405
Industrial Equipment	212,296	255,075	258,603	293,829	277,504
All Other Equipment	<u>49,589</u>	<u>58,560</u>	<u>69,777</u>	<u>145,598</u>	<u>59,367</u>
Total Manufacturing & Wholesale Group	\$ 435,782	\$ 493,430	\$ 506,193	\$ 601,454	\$ 547,827
<b>State Adjustments &amp; Transfers</b>	0	(692)	(316)	0	171
<b>Total Sales All Outlets</b>	\$1,988,211	\$2,290,355	\$2,272,633	\$2,567,011	\$2,651,562
<b>Retail Group</b>	\$1,368,118	\$1,508,035	\$1,562,653	\$1,777,699	\$1,926,716
<b>Non-Store &amp; Part Time Retailers</b>	5,116	5,110	4,070	4,219	4,717
<b>Business, Service &amp; Repair Group</b>	179,194	284,472	200,033	183,639	172,131
<b>Manufacturer &amp; Wholesaler Group</b>	435,782	493,430	506,193	601,454	547,827
<b>State Adjustments &amp; Transfers</b>	<u>0</u>	<u>(692)</u>	<u>(316)</u>	<u>0</u>	<u>171</u>
<b>Total Point of Sale</b>	\$1,988,211	\$2,290,355	\$2,272,633	\$2,567,011	\$2,651,562
<b>County Pool</b>	214,447	234,263	237,964	291,203	316,650
<b>State Pool</b>	<u>1,088</u>	<u>394</u>	<u>1,323</u>	<u>1,590</u>	<u>2,291</u>
<b>Total Sales Tax Receipts</b>	\$2,203,746	\$2,525,012	\$2,511,920	\$2,859,804	\$2,970,503

Source: The HdL Companies.

### State Budget Information

*The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. The following information is provided as supplementary information only, and it should not be inferred from inclusion of this information that the Certificates are payable from State revenues. The Certificates are payable solely from Lease Payments to be made by the City under the Lease Agreement and certain other moneys held under the Indenture. The Certificates are not a debt of the City, the State, or any of its political subdivisions, in contravention of any*

*constitutional or statutory limitation, nor is the City, the State, or any of its political subdivisions required to levy or impose any form of taxation.*

**State Budgeting Process.** According to the State Constitution, the Governor is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a majority vote of each house of the State Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, [www.govbud.dof.ca.gov](http://www.govbud.dof.ca.gov). An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer at [www.treasurer.ca.gov](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 takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

**Fiscal Year 2015 State Budget.** On June 20, 2014, the State Legislature adopted the State's Fiscal Year 2015 Budget (the "2015 State Budget"). For Fiscal Year 2014, the 2015 State Budget projected revised total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion and a general fund surplus of \$2.9 billion. For Fiscal Year 2015, the 2015 State Budget projects total State general fund revenues of \$109.4 billion and expenditures of \$108 billion and a State general fund surplus of approximately \$2.1 billion. This amount is a combination of \$449 million in the traditional general fund reserve, and an authorized deposit of \$1.6 billion into the Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

As part of implementing certain provisions of the 2015 State Budget, a legislatively-referred constitutional amendment (Proposition 2) was placed on the ballot, and ultimately approved by the voters at the November 4, 2014 statewide election. Among other things, Proposition 2 will create a reserve account that is expected to smooth fluctuations in State revenues. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

The 2015 State Budget identified a number of risks with potential significant State General Fund impact for Fiscal Year 2015 including the threat of a future recession, a shifting of costs from the federal government to the State, a decline in the stock market given the State's reliance on capital gains as a source of revenue, costs related to ongoing litigation over the State prison population, litigation arising from the dissolution of redevelopment agencies, costs of implementing federal health care reforms and costs associated with the State's substantial unfunded liabilities for pensions and post-employment health care costs.

**2015-16 State Budget.** On June 24, 2015, Governor Brown signed the Fiscal Year 2015-16 State Budget (the "2015-16 State Budget") which expands child care, boosts funding for public schools and opens the State's public healthcare program to immigrant children who are in the country illegally. The new spending plan, including a \$115.4-billion general fund, takes effect July 1 and provides for an estimated 170,000 immigrants 18 and younger to qualify for Medi-Cal. In addition, Governor Brown called special legislative sessions to find sustainable funding for transportation and public healthcare. For K-12 schools, the 2015-16 Budget increases funding levels by more than \$3,000 per student in Fiscal Year 2015-16 over Fiscal Year 2011-12 levels with implementation of the Local Control Funding Formula. The 2015-16 Budget includes total funding of \$83.2 billion for all K-12 education programs and also includes Proposition 98 funding of \$68.4 billion for fiscal year 2015-16, an increase of \$7.6 billion over the previous year. Funding for the University of California and California State University higher education systems also increased, allowing for tuition for California undergraduate students to remain flat through fiscal year 2016-17. Components of the 2015-16 State Budget affecting local agencies include the following:

- *Drought Relief.* The 2015-16 State Budget includes appropriations from Proposition 1 in response to the drought, commencing the first of a three-year funding plan to appropriate \$1.8 billion Proposition 1 funds allocated to storm-water management, contaminated groundwater cleanup, groundwater management plans, water recycling, public water system infrastructure, and desalination.
- *Mandate Repayments.* The 2015-16 State Budget provides that as a result of trigger language included in the 2014-15 State Budget, local agencies are projected to receive an additional payment of \$533 million in mandate repayments owed to local governments from prior to 2004, building upon the \$100 million repayment received by cities, counties and special districts as part of the 2014-15 State Budget.
- *Cap-and-Trade.* The 2015-16 State Budget also provides continuous funding for 60 percent of Cap-and-Trade auction revenues, with the remaining 40 percent to be used for annual appropriations reflecting the priorities of the State Legislature and does not make any changes to the 2014-15 State Budget that provides for continuous appropriations of 60 percent of Cap-and-Trade auction revenues for affordable housing, transportation, transit, and high speed rail.
- *Law Enforcement.* The 2015-16 State Budget includes \$20 million for local law enforcement grants to city police departments, \$6 million to be awarded to local law enforcement agencies in competitive grants for community relations; and \$8 million in competitive grants to local governments to reduce community recidivism rates.
- *Judicial Branch.* The 2015-16 State Budget includes an overall increase of trial court funding of \$180 million, including an increase of \$90.1 million to support trial court operations, \$19.8 million to cover reductions in fines and penalty revenues, and the allocation of \$26.9 million for anticipated trial court workload increase due to re-sentencing petitions related to drug and theft crimes.
- *Social Services.* The 2015-16 State Budget contains \$35 million for CalWORKs Housing Support Program services, an increase of \$15 million, which provides additional support to CalWORKs families for whom homelessness is a barrier to self-sufficiency and \$17.7 million to counties for the purpose of recruiting, retaining, and supporting foster care parents and relative caregivers.
- *Workforce Development.* The 2015-16 State Budget provides \$500 million in Proposition 98 funds for the Adult Education Block Grant as part of the State's workforce development strategy, including \$250 million in one-time funding for each of the next three years to support a transitional career technical education incentive grant program.

The 2015-16 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with proposed spending reductions, (iv) rising health care costs and (v) other factors, all or any of which could cause the revenue and spending projections made in the 2015-16 State Budget to be unattainable.

The complete 2015-16 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). An impartial analysis of the 2015-16 Budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County 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 references. The County cannot predict the impact that the 2015-16 State Budget, or subsequent budgets, will have on its own finances and operations.

## Ad Valorem Property Taxes

This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City.

### Property Taxes

**Tax Levies, Collections and Delinquencies.** Property taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County. Property taxes collected in advance are recorded as deferred revenue and recognized as revenue in the year they become available. The County levies, bills and collects property taxes for the City. Property taxes paid to the City by the County within 60 days after the end of the fiscal year are “available” and are, therefore, recognized as revenue.

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State/assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Secured and unsecured property taxes are levied based on the assessed value as of January 1, the lien date, of the preceding fiscal year. Secured property tax is levied on October 1 and due in two installments, on November 1 and March 1. Collection dates are December 10 and April 10 which are also the delinquent dates. At that time, delinquent accounts are assessed a penalty of 10%. Accounts that remain unpaid on June 30 are charged an additional 1.5% per month. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Treasurer.

Unsecured property tax is levied on July 1 and due on July 31, and has a collection date of August 31 which is also the delinquent date. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

*Historic Secured Property Tax Revenues.* Section 4701 through Section 4717 of the California Revenue and Taxation Code permit counties to use a method of apportioning taxes (commonly referred to as the “Teeter Plan”) whereby local agencies receive from the County 100% of their respective shares of the amount of secured ad valorem taxes levied, without regard to actual collections of taxes. Due to this allocation method, the cities in the County receive no adjustments for redemption payments on delinquent collections. The unsecured taxes are allocated based on actual unsecured tax collections.

The County of Orange adopted this method of distributing taxes; *however, the City has elected not to participate in the Teeter Plan.* Consequently, property tax collections allocated to the City reflect actual collections.

The following tables illustrate the secured property tax revenues of the City for Fiscal Years 2004-05 through 2013-14:

**TABLE 8  
CITY OF LOS ALAMITOS  
HISTORICAL SECURED PROPERTY TAX REVENUES<sup>(1)</sup>  
(As of June 30)**

<b>Fiscal Year Ending June 30</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of Levy</b>		<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Collections for Prior Years<sup>(1)</sup></b>	<b>Amount</b>	<b>Percent of Levy</b>
2005	\$1,380,625	\$1,356,979	\$4,428	\$1,361,407	98.608%
2006	1,493,570	1,460,442	17,572	1,478,014	98.958
2007	1,555,871	1,501,044	22,569	1,523,613	97.927
2008	1,647,608	1,583,142	32,579	1,615,721	98.065
2009	1,680,414	1,619,026	(3,594)	1,615,432	96.133
2010	1,677,973	1,358,634	56,169	1,414,803	84.316
2011	1,706,675	1,656,579	37,679	1,694,258	99.272
2012	1,863,810	1,776,861	36,779	1,813,640	97.308
2013	2,013,958	1,962,651	24,090	1,986,741	98.649
2014	2,052,538	2,002,409	24,524	2,026,933	98.753

<sup>(1)</sup> Total amount of delinquent taxes collected in each fiscal year; information regarding levy year to which delinquent tax collections pertain is not provided by the Orange County Auditor-Controller.

Source: Orange County Auditor-Controller.

*Taxable Property and Assessed Valuation.* All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions. Set forth in the tables below are assessed valuation for secured and unsecured property within the City for the ten most recent fiscal years. The City has not formed a redevelopment agency under the California Redevelopment Law.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

The passage of Assembly Bill 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a State-mandated local program requiring the assignment of the assessment value of all unitary and operating non-unitary property in each county of each State assessee other than a regulated railway company. The legislation established formulas for the computation of applicable county-wide rates for such property and for the allocation of property tax revenues attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each county to issue each State assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

*Assessment Appeals.* Property tax values determined by the County Assessor may be subject to appeal by property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

**TABLE 9**  
**CITY OF LOS ALAMITOS**  
**GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY**  
**(in thousands)**

<b>Fiscal Year Ending (June 30)</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Less: Exemptions<sup>(1)</sup></b>	<b>Taxable Assessed Value<sup>(2)</sup></b>
2005	\$1,085,188	\$135,892	\$ --	\$1,221,080
2006	1,193,748	159,280	--	1,353,028
2007	1,265,004	151,528	--	1,416,532
2008	1,363,845	157,193	--	1,521,038
2009	1,430,961	149,526	--	1,580,487
2010	1,441,254	148,417	--	1,589,671
2011	1,460,981	155,087	--	1,616,068
2012	1,466,640	137,977	--	1,604,617
2013	1,504,137	133,912	--	1,638,049
2014	1,549,169	119,503	--	1,668,672
2015	1,632,329	143,371	--	1,775,700

<sup>(1)</sup> Exemption are netted against the individual property categories.

<sup>(2)</sup> Total includes Nonunitary Taxable Assessed Values.

Source: County of Los Alamitos Comprehensive Annual Financial Report for Fiscal Year 2013-14.

*Largest Taxpayers.* The 10 largest secured property taxpayers for fiscal year 2014-15 are as follows:

**TABLE 10**  
**CITY OF LOS ALAMITOS**  
**LARGEST SECURED TAXPAYERS FOR FISCAL YEAR 2014-15**  
**(IN THOUSANDS)**

<b>Property Owner</b>	<b>Taxable Assessed Value</b>	<b>Percent of Total City Taxable Assessed Value</b>
Los Alamitos Medical Center	\$ 68,098	4.079%
Los Alamitos Corporation Center JV	55,585	3.330
Henrietta C. Lee Trust	--	--
Trend Offset Printing Inc.	35,277	2.113
Don Wilson Staples LLC	30,797	1.845
JCB Inc.	17,303	1.037
CGM Katella LLC	13,158	0.788
Ganahl Lumber Company	15,274	0.915
Bayport Los Alamitos Associates LP	12,602	0.755
Arrowhead Products Corporation	12,621	0.756
Laeroc 2002 Katella	--	--
Verizon Directories Distribution	--	--
Susa Partnership	--	--
Los Alamitos LLC	11,050	0.662
Apartment Unlimited	--	--
Top Ten Totals	\$ 271,765	16.280%
City Totals	\$1,669,324	

Source: City of Los Alamitos Comprehensive Annual Financial Report for Fiscal Year 2013-14.

### Other Taxes

*Franchise Taxes.* The City levies a franchise tax on its cable television, trash collection, and utility franchises.

*Business License Taxes.* The City levies a business license tax based principally on gross receipts and on number of employees.

*Transient Occupancy Taxes.* The City levies an 8% transient occupancy tax on hotel and motel bills.

*Utility Users Taxes.* The City levies a tax equal to 6% for electric, gas and water utility bills and 5% for telecommunication utility bills, which is collected by the companies providing the services and remitted monthly to the City.

*Property Transfer Taxes.* A documentary stamp tax is assessed for recordation of real property transfers.

**Short-Term Obligations**

The City currently has no outstanding short-term obligations.

**Long-Term Obligations**

Excluding the Certificates, the following provides a summary of the City’s long-term obligations:

**TABLE 11  
CITY OF LOS ALAMITOS  
LONG-TERM LIABILITY**

	<u>Balance June 30, 2013</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due in One Year</u>
Claims payable	\$ 182,611	\$ --	\$ --	\$(133,093)	\$ 49,518	\$ 49,518
Compensated absences	567,294	--	260,421	(301,132)	526,583	169,988
PERS side fund	269,507	(8,226)	--	(261,281)	--	--
Other post-employment benefit obligation	<u>389,271</u>	<u>--</u>	<u>244,401</u>	<u>(153,026)</u>	<u>480,646</u>	<u>--</u>
Total	\$1,408,683	\$(8,2260)	\$504,822	\$(848,532)	\$1,056,747	\$219,506

Source: City of Los Alamitos.

**Direct and Overlapping Bonded Debt**

The ability of land owners within the City to pay property tax installments as they come due could be affected by the existence of other taxes and assessments imposed upon the land.

The statement of direct and overlapping debt (the “Debt Report”) set forth below was prepared by California Municipal Statistics, Inc. as of June 30, 2014. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

**TABLE 12**  
**Direct and Overlapping Bonded Debt**  
**(As of July 2, 2015)**

2014-15 Assessed Valuation: \$1,778,110,229

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/15</u>
Metropolitan Water District	0.077%	\$ 85,023
North Orange County Joint Community College District	1.648	3,082,403
Garden Grove Unified School District	0.011	26,839
Los Alamitos Unified School District School Facilities Improvement District No. 1	21.977	22,100,098
Anaheim Union High School District	0.079	119,534
Cypress School District	0.524	208,656
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 25,622,553</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	0.377%	\$ 290,727
Orange County Pension Obligation Bonds	0.377	1,360,634
Orange County Board of Education Certificates of Participation	0.377	57,266
Municipal Water District of Orange County Water Facilities Corporation	0.451	12,493
Los Alamitos Unified School District Certificates of Participation	20.027	8,715,124
Anaheim Union High School District Certificates of Participation	0.079	28,028
Cypress School District Certificates of Participation	0.524	38,593
North Orange County Regional Occupational Program Certificates of Participation	1.692	176,814
City of Los Alamitos Certificates of Participation	100	2,895,000
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 13,574,679</b>
Less: MWDOC Water Facilities Corporation (100% supporting)		12,493
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 13,562,186</b>

<b>GROSS COMBINED TOTAL DEBT</b>	<b>\$ 39,197,232</b>
<b>NET COMBINED TOTAL DEBT</b>	<b>\$ 39,184,739</b>

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.44%
<b>Total Direct Debt (\$2,895,000).....</b>	<b>0.16%</b>
Gross Combined Total Debt.....	2.20%
Net Combined Total Debt .....	2.20%

<sup>(1)</sup> Excludes issue to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## Retirement Programs

The City of Los Alamitos contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing, multiple-employer defined benefit pension plan. CalPERS acts as a common investment and, administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office 400 P Street, Sacramento, California 95814.

## Plan Description and Funding Policy

The City has a multiple tier retirement plan with benefits varying by plan for both miscellaneous and safety employees hired on or before specific dates as follows:

### Safety:

- **Legacy POA Employees** - The retirement formula is 3% at age 50 for safety employees covered under the Los Alamitos Police Officers' Association (POA) that were hired on or before December 31, 2012. The City pays 1/9 of the employee share (9%). Beginning, July 1, 2016, employees will pay their entire share (9%).
- **Non-Represented Safety Employees** – The retirement formula for Non-Represented Safety Employees hired on or before December 31, 2012 is 3% at age 50. The employee is responsible for the employee share (9%).
- **Safety PEPRA Employees** – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013. The employee must pay one-half (1/2) of the normal cost of the benefit. The normal cost is currently 23% - one-half of which is 11.5%, which is paid by the employee.

*Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.*

### Miscellaneous:

- **Legacy CEA Employees** – The retirement formula is 2.7% at age 55 for miscellaneous employees covered under the Los Alamitos City Employees Association (CEA) hired on or before December 31, 2012.
  - For employees hired on or before April 1, 2011, the City pays 3/8 of the employee share (8%). Beginning November 1, 2015, the City will pay 1/8 of the employee share.
  - For employees hired after April 1, 2011, the City pays 2/8 of the employee share (8%). Beginning November 1, 2015, employees will pay their entire share (8%).
- **Non-Represented Miscellaneous Employees** – The retirement formula for Non-Represented Miscellaneous Employees hired on or before December 31, 2012 is 2.7% at age 55. The employee is responsible for the employee share (8%) with the exception of the City Manager whereby the City pays the employee share (8%).
- **Miscellaneous PEPRA Employees** – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013. The employee must pay at least one-half (1/2) of the normal cost of the benefit. The normal cost is currently 12.487% - of which 6.237% is paid by the employer.

*Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.*

Additionally, the City is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for the fiscal years 2014-2015 and 2015-2016 are as follows:

	<b>Fiscal Year</b> <b><u>2014-2015</u></b>	<b>Fiscal Year</b> <b><u>2015-2016</u></b>	
Classic Miscellaneous Members	11.33%	25.87%	*
PEPRA Miscellaneous Members	6.25%	6.25%	
Classic Safety Members	29.10%	28.12%	*
PEPRA Safety Members	11.50%	11.50%	

*\*Amounts include the normal cost and additional payments towards the unfunded liability.*

The contribution requirements of the plan members are established by State statute and the employer contribution rates were established and may be amended by CalPERS. Since the City had less than 100 active members in each plan as of June 30, 2004, the City is required to participate in a risk pool. Mandated pooling became effective for the City during the 2005-2006 fiscal year.

On April 17, 2013 CalPERS adopted new amortization and smoothing methods which converted rolling amortization periods to fixed periods. The new amortization and smoothing methods include a 5-year ramp-up in contribution rates beginning in fiscal year 2015-2016, which include additional payments towards the unfunded liability.

The City's contributions to CalPERS for the past three years, which were equal to the required contribution each fiscal year, were as follows:

<b>Fiscal Year</b> <b><u>Ended June 30</u></b>	<b><u>Miscellaneous</u></b>	<b><u>Safety</u></b>
2014	\$199,867	\$646,139
2013	204,935	628,941
2012	209,656	529,707

### **Other Post-Employment Benefits (Opeb) Plan**

#### **Plan Description**

In addition to providing pension benefits, the City provides certain health care benefits for retired employees in accordance with a City Council resolution. Substantially all of the City's employees become eligible for those benefits if they reach normal retirement age while working for the City. Those and similar benefits for active employees are provided through PERS whose premiums are based on the benefits paid during the year.

Retiree health care coverage is segregated into two tiers as follows:

Tier 1 – Employees Hired Before August 1, 1994<sup>(1)</sup> receive one of the following:

- Miscellaneous and Safety Employees with 10 years of service with the City, with a regular service retirement, shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement up to Medicare age and up to \$300 per month thereafter for life.

- Employees age fifty (50) or over receive up to \$300 per month for life.

**Tier 2** –Employees Hired on or After August 1, 1994<sup>(1)</sup> receive one of the following:

- Miscellaneous Employees with at least 15 years of continuous service and have reached the age of fifty-five (55) shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement up to Medicare age and up to \$300 per month thereafter for life.
- Safety Employees with 10 years of service with the City shall be eligible to receive 50% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement. The percentage increases by 5% per year to 100% at 20 years of service up to Medicare age and up to \$300 per month thereafter for life.
- Employees age fifty (50) or over receive up to \$300 per month for life.

<sup>(1)</sup> Applies to safety employees hired after January 1, 1995.

### Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council, and/or the employee associations. The City is currently funding this OPEB obligation based on a pay-as-you-go basis. During the fiscal year ended June 30, 2014, the City paid \$153,026 in health care costs for its retirees and their covered dependents.

### Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the fiscal year 2013/14, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 243,447
Interest on net OPEB obligation	19,464
Adjustment to annual required contribution	<u>(18,510)</u>
Annual OPEB cost (expense)	244,401
Actual contributions made	<u>(153,026)</u>
Change in net OPEB obligation	91,375
Net OPEB Obligation – beginning of fiscal year	<u>389,271</u>
Net OPEB Obligation – end of fiscal year	\$ 480,646

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2014 and the two preceding fiscal years were as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Unfunded AAL (UAAL)</u>	<u>Net OPEB Obligation</u>
6/30/12	\$217,798	\$125,785	57.75%	\$2,695,891	\$268,327
6/30/13	243,447	122,503	50.32%	2,724,394	389,271
6/30/14	244,401	153,026	62.61	2,724,394	480,646

### Funded Status and Funding Progress

As of December 1, 2012, the initial actuarial valuation, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,724,394, and the actuarial value of assets was zero, resulting in an unfunded accrued actuarial liability (UAAL) of \$2,724,394. The covered payroll (annual payroll of active employees covered by the plan) was \$4,400,809 and the ratio of the UAAL to the covered payroll was 61.91%.

### Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries, and natural disasters.

The City of Los Alamitos is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required. The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy.

Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

The City of Los Alamitos participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Los Alamitos property is currently insured according to a schedule of covered property submitted by the City of Los Alamitos to the Authority. City of Los Alamitos property currently has all-risk property insurance protection in the amount of \$10 Million. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

The City of Los Alamitos purchases crime insurance coverage in the amount of \$3,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

The City of Los Alamitos further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Los Alamitos according to a schedule. The City of Los Alamitos then pays for the insurance. The insurance is arranged by the Authority.

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years, and there were no reductions in the City's insurance coverage during the year ended June 30, 2015.

Complete financial statements for the Insurance Authority may be obtained at their administrative office located at 8081 Moody Street, La Palma, California 90623.

All self-insurance activity is reported in the City's General Fund. At June 30, 2014, \$49,518 has been accrued for general liability and workers' compensation claims. This amount represents estimates of amounts to be paid for reported and incurred, but not reported, claims based upon past experience, modified for current trends and information.

Changes in the aggregate liability for claims since June 30, 2014 resulted in the following:

**TABLE 13**  
**CITY OF LOS ALAMITOS**  
**Liability and Claims**

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Liability as of June 30, 2011	\$ 95,767	\$606,076	\$701,843
Claims and changes in estimates during the fiscal year ended June 30, 2012	138,892	206,887	345,779
Claim payments during the fiscal year ended June 30, 2012	<u>(32,111)</u>	<u>(47,412)</u>	<u>(79,523)</u>
Liability as of June 30, 2012	\$202,548	\$765,551	\$968,099
Claims and changes in estimates during the fiscal year ended June 30, 2013			
Claim payments during the fiscal year ended June 30, 2013	<u>(202,548)</u>	<u>(582,940)</u>	<u>(785,488)</u>
Liability balance as of June 30, 2013		\$182,611	\$182,611
Claims and changes in estimates during the fiscal year ended June 30, 2014			
Claims payments during the fiscal year ended June 30, 2014		<u>(133,093)</u>	<u>(133,093)</u>
Liability balance as of June 30, 2014		\$ 49,518	\$ 49,518

Source: City of Los Alamitos.

The ultimate amount of losses incurred through June 30, 2014 is dependent on future developments. Based upon information from the City Attorney, the City's claims administrators and others involved with the administration of the insurance programs. City management believes the accrual is adequate to cover such losses.

#### **Post-Employment Health Care Benefits**

Retirees are reimbursed for medical insurance based upon employee agreements in effect at the time of retirement. Funds are deducted by PERS from the retirees' checks for retirement. The City reimburses the retiree for the City's share of costs. Retirees are eligible to receive this benefit for a period from the date of retirement up to age 65 based on length of service. Reimbursements are financed on a pay-as-you-go basis. Expenditures for post-employment health care benefits for fiscal year 2014 were \$153,026. As of June 30, 2014, 25 participants were eligible to receive benefits.

#### **City Investment Policy and Portfolio**

The City administers a pooled investment program, except for those funds which are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. The most recently revised Investment Policy for the City was adopted April 20, 2015 by the City Council.

In accordance with the Government Code, the City requires certain collateralization for public deposits in banks and savings and loans, and has long-established safekeeping and custody procedures. The City Treasurer submits a quarterly report to the City Council that contains a statement that the City's portfolio is invested in conformance with state law and the Investment Policy, and that there is sufficient liquidity to meet estimated expenditures. At this time, City funds are invested in LAIF (the "Local Agency Investment Fund"), Negotiable Certificates of Deposit and U.S. Government Agency Securities.

## Education

The City is included within the boundaries of the Los Alamitos Unified School District, which also serves the County area southwest of the City. This district includes 6 elementary, 2 middle schools and one high school. There is one private school, kindergarten through eighth grade. Higher education is available at several nearby institutions: Cerritos Community College, University of California at Irvine and California State University, Long Beach.

## Employment

The following table presents the annual average distribution of persons in various wage and salary employment categories for Anaheim Santa Ana-Irvine Metropolitan Statistical Area for 2010 through 2014.

**TABLE 14**  
**ANAHEIM SANTA ANA-IRVINE METROPOLITAN STATISTICAL AREA**  
**ANNUAL AVERAGE EMPLOYMENT COMPARISON**

<u>Title</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Civilian Labor Force	1,538,600	1,548,100	1,566,100	1,566,800	1,575,600
Civilian Employment	1,388,900	1,408,300	1,443,400	1,464,900	1,489,200
Civilian Unemployment	149,700	139,800	122,700	101,900	86,400
Civilian Unemployment Rate	<u>9.7%</u>	<u>9.0%</u>	<u>7.8%</u>	<u>6.5%</u>	<u>5.5%</u>
Total, All Industries	1,370,400	1,385,600	1,422,400	1,462,400	1,498,700
Total Farm	3,700	3,200	2,800	2,900	2,800
Mining and Logging	600	600	600	600	700
Construction	68,000	69,200	71,300	76,800	82,000
Manufacturing	150,500	154,300	158,300	158,000	158,800
Wholesale Trade	77,800	77,300	77,200	79,400	81,700
Retail Trade	141,300	142,600	144,000	145,500	148,700
Transportation, Warehousing & Utilities	26,700	27,500	28,000	27,500	26,600
Information	24,800	23,800	24,300	25,000	24,200
Financial Activities	103,500	104,800	108,300	113,100	114,100
Real Estate & Rental & Leasing	34,100	33,600	34,500	36,100	37,900
Professional & Business Services	244,900	247,700	260,600	267,300	275,800
Educational & Health Services	165,500	168,000	173,800	184,200	190,300
Leisure & Hospitality	168,600	174,000	180,600	187,800	193,500
Other Services	42,200	43,200	44,600	45,600	47,700
Government	152,300	149,300	147,900	148,700	151,900
Federal Government	12,400	11,600	11,100	11,000	10,900
State Government	27,300	28,000	28,700	29,100	29,900
Local Government	112,600	109,700	108,100	108,600	111,100

Source: State of California Employment Development Department.

**APPENDIX B**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2013-14**

APPENDIX D

PROPOSED FORM OF FINAL OPINION

[Closing Date]

City of Los Alamitos  
3191 Katella Avenue  
Los Alamitos, CA 90720

Re: \$\_\_\_\_\_ 2015 Certificates of Participation Evidencing the Fractional Proportionate Interests of the Owners Thereof in Lease Payments to be Made by the City of Los Alamitos to Los Alamitos Public Facilities Corporation

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the City of Los Alamitos (the "City") in connection with the authorization, execution and delivery by the City of the Lease Agreement dated as of \_\_\_\_\_ 1, 2015 (the "Lease Agreement") by and between Los Alamitos Public Facilities Corporation (the "Corporation") and the City. We have also reviewed the executed Lease Agreement; the executed Trust Agreement, dated as of \_\_\_\_\_ 1, 2015 (the "Trust Agreement"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Corporation and the City; and such other information and documents as we consider necessary to render this opinion.

Pursuant to the Trust Agreement, the Trustee has executed and delivered the above-captioned certificates of participation (the "Certificates of Participation") evidencing proportionate undivided interests in lease payments to be made by the City pursuant to the Lease Agreement dated as of \_\_\_\_\_ 1, 2015, by and between the City and the Corporation (the "Lease Agreement").

In such connection, we have reviewed the Trust Agreement, the Lease Agreement, the tax certificate of the City for the Certificates dated the date hereof (the "Tax Certificate"), certificates of the City and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other events come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Certificate to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificate, the Trust Agreement, the Lease Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities and their subordinate entities in the State of

California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Certificate and express no opinion with respect thereto.

Based on the foregoing, we are of the opinion that the obligation of the City to pay Lease Payments under the Lease Agreement is a valid and binding obligation payable from any source of available revenues and certain amounts held in the funds and accounts created by the Trust Agreement for the benefit of the Owners of the Certificates of Participation and that the Trust Agreement establishes a valid lien on the funds and accounts established thereunder.

We are further of the opinion that the Lease Agreement and the Trust Agreement have been duly authorized, executed and delivered by the City and constitute valid and legally binding agreements of the City enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles and exercise of judicial discretion in appropriate cases. The Certificates of Participation have been duly executed and delivered by the Trustee and are entitled to the benefits of the Trust Agreement.

We are of the opinion that under existing statutes, regulations, rulings and judicial decisions, the portion of each lease payment due under the Lease Agreement designated as and comprising interest and received by the owners of the Certificates of Participation (the "Interest Component") is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations. This opinion is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the obligation of the City under the Lease Agreement to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the Interest Component to be included in gross income for federal income tax purposes retroactive to the date of issuance of the obligation of the City under the Lease Agreement. The City has covenanted to comply with all such requirements. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Other than expressly stated herein, we express no other opinion regarding tax consequences of the obligation of the City under the Lease Agreement. The Certificates and the Lease Agreement are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code"), and, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest payable on the Certificates. Although the interest on the Certificates is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Certificates, or any portion thereof, may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

We are further of the opinion that the Interest Component is exempt from personal income taxation imposed by the State of California.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Very truly yours,

D-2

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF LOS ALAMITOS (the "Issuer") in connection with the issuance of the \$ \_\_\_\_\_ City of Los Alamitos 2015 Certificates of Participation (Bank Qualified) (the "Certificates"). The Certificates are being issued pursuant to a Trust Agreement dated as of \_\_\_\_\_, 2015 (the "Trust Agreement") between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Issuer covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Certificates and in order to assist the Participating Underwriter (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5).

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

**"Annual Report"** shall mean any Annual Reports provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

**"Disclosure Representative"** shall mean the City Manager and Director of Administrative Services or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

**"Dissemination Agent"** shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

**"Fiscal Year"** shall mean the twelve month period beginning on July 1 of each year and ending on June 30 of the following year.

**"Listed Events"** shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

**"MSRB"** shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission's internet site at [www.sec.gov](http://www.sec.gov).

**"Official Statement"** means the Official Statement regarding the Certificates dated \_\_\_\_\_, 2015.

**"Participating Underwriter"** shall mean the original underwriter of the Certificates required to comply with the Rule in connection with the offering of the Certificates. The Participating Underwriter is \_\_\_\_\_.

**"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.

**"Tax-exempt"** shall mean that interest on the Certificates is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than March 1 of each year, commencing with the report of 2014-15 (which shall be March 1, 2016), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. The information contained or incorporated in each Annual Report shall be for the Fiscal Year which ended on the preceding June 30. The Issuer 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 certifications of the Issuer and shall have no duty or obligation to review any such Annual Report.

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A or such other form as prescribed or acceptable to the MSRB.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

1. The principal amount of the Certificates outstanding.
2. Any failure of the Issuer or the Trustee to pay principal or interest with respect to the Certificates on any scheduled payment date since the date of the last Annual Report.
3. The most recent audited financial statements of the Issuer.
4. Information regarding the filing and contents of any notice of any Listed Event which has been filed pursuant to Section 5 of this Disclosure Certificate since the date of the last Annual Report.

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

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give or cause to be given, notice of the occurrence of any of the following event:

1. Delinquency in payment when due of any principal or interest with respect to the Certificates.
2. Occurrence of any default under the Trust Agreement (other than as described in clause (1) above).

3. Amendment to or modification of the Trust Agreement or this Disclosure Certificate modifying the rights of the Owners of the Certificates.
4. Giving of a notice of optional or unscheduled redemption of any of the Certificates.
5. Defeasance of the Certificates or any portion thereof.
6. Any change in any rating on the Certificates.
7. Adverse tax opinions or events affecting the Tax-exempt status of the Certificates.
8. Unscheduled draws on credit enhancements reflecting financial difficulties.
9. Substitution of credit or liquidity providers, or their failure to perform.
10. The release, substitution or sale of property securing repayment of the Certificates (including property leased, mortgaged or pledged as such security).

(b) The Dissemination Agent shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in clauses (a)(1), (4) or (5)), with no obligation to determine the materiality thereof, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For the purpose of this Disclosure Certificate “actual knowledge” means actual knowledge at the corporate trust office of the Dissemination Agent by an officer of the Dissemination Agent with responsibility for matters related to the administration of the Trust Agreement.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would constitute material information for Owners of the Certificates under applicable Federal securities law, provided that any event under subsection (a) (6) will always be deemed to be material.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing:

(i) Notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the Issuer gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) Notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Certificates pursuant to the Trust Agreement.

**Section 6. Format for Filings with MSRB.** Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior prepayment or payment in full of all of the Certificates.

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Trustee. If at any time there is no designated Dissemination Agent appointed by the Issuer, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Issuer shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment requested by the Issuer, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities law, acceptable to the Issuer and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer 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 Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate 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 Issuer to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Orange or in U.S. District Court in or nearest to the County. The sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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

CITY OF LOS ALAMITOS, CALIFORNIA

By: \_\_\_\_\_  
Bret M. Plumlee, City Manager

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

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

ATTACHMENT A

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

Name of Issuer: CITY OF LOS ALAMITOS

Name of Bond Issue: CITY OF LOS ALAMITOS 2015 CERTIFICATES OF PARTICIPATION (BANK  
QUALIFIED)

Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-referenced Certificates as required by the Trust Agreement dated as of \_\_\_\_\_, 2015 between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

CITY OF LOS ALAMITOS

By: \_\_\_\_\_ [to be signed only if filed]

## APPENDIX F

### BOOK-ENTRY PROVISIONS

*The information in this Appendix F, concerning The Depository Trust Company, New York, New York (“DTC”), and DTC’s book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Certificates (as used in this Appendix F, the “Securities”). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 paying agent or bond 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 nor its nominee, the paying agent or bond 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 paying agent or bond 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.

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

10. 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, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**MINUTES OF THE PUBLIC FACILITIES CORPORATION  
OF THE CITY OF LOS ALAMITOS**

**REGULAR MEETING – MONDAY, FEBRUARY 6, 2006**

**CALL TO ORDER**

The Public Facilities Corporation met in its first Regular Session for the purpose of Formation, at 8:15 p.m., Monday, February 6, 2006, in the Council Chambers, 3191 Katella Avenue, Mayor Freeman presiding.

**ROLL CALL**

**Present:** Directors: Parker, Jempsa, Poe, Driscoll and Freeman

**Absent:** Directors: None

**Present:** Staff: Lee R. Evett, City Manager  
Dean Derleth, City Attorney  
Kevin Prelgovisk, Assistant City Manager  
Mark Wagner, Recreation & Community Services Director  
Michael McCrary, Police Chief  
Lawrence Jackson, Public Works Director  
John Poole, Interim Community Development Director  
Susan C. Vanderpool, City Clerk

**3. DISCUSSION ITEMS****A. Formation of Non-Profit Corporation**

At its February 6, 2006, meeting, the Board of Directors of the newly-formed Facilities Corporation (the "Corporation") will take action to assist the City of Los Alamitos (the "City") in the City's plan to issue lease or debt obligations, which may include Certificates of Participation, in the future, proceeds of which will be used to pay the costs of acquiring land and constructing new public facilities. In order to proceed with the financing, organizational activities with respect to the Corporation must be completed as set forth below.

City Attorney Derleth asked Special Counsel Kim Byrens to give a brief overview as to the reason for formation of the Public Facilities Corporation as it related to the acquisition and financing of Laurel Park.

Kim Byrens, Special Counsel – Best, Best & Krieger, summarized the staff report, referring to the information contained therein, and gave the following explanation for formation of the Corporation:

Under California law, a City, County or School District cannot enter into a debt obligation which requires it to be indebted for more than one fiscal year. One exception to that law is a lease obligation whereby an agency pays annually for the use and enjoyment of a specific piece of equipment or

facility. The Corporation is being formed so that it can enter into such a lease. The Corporation can therefore lease Laurel Park, and then lease it back to the City, so that the City can make an annual payment to the Corporation for the use and enjoyment of said park. The Corporation will then assign its right to receive the lease payment to a Corporate Trustee who will issue Certificates of Participation which represent fractional, undivided interest in the lease.

Special Counsel Byrens stated the actions to be taken tonight would be those certain initiating actions of the Corporation, followed by approval of the lease financing for the acquisition of Laurel Park.

Motion/Second: Jempsa/Parker

Unanimously carried: The Board of Directors:

1. Conducted an election of Officers of the Public Facilities Corporation in the following order: **FREDRICK M. FREEMAN, President; CATHERINE A. DRISCOLL, Vice-President; LEE EVETT, Executive Director; KEVIN PRELGOVSK, Chief Financial Officer** and **SUSAN C. VANDERPOOL, Secretary**; and,
2. Adopted Resolution No. 2006-01, entitled "A RESOLUTION OF THE BOARD OF DIRECTORS OF LOS ALAMITOS PUBLIC FACILITIES CORPORATION APPROVING AND AUTHORIZING THE EXECUTION AND FILING OF THE ORGANIZATIONAL DOCUMENTS RELATING TO THE CORPORATION, APPROVING THE ARTICLES OF INCORPORATION AND BYLAWS, PROVIDING FOR THE ELECTION OF OFFICERS, APPROVING A CORPORATE SEAL, ESTABLISHING THE LOCATION OF THE PRINCIPAL OFFICE OF THE CORPORATION AND APPROVING AND AUTHORIZING OTHER MATTERS".

**B. 2006 Certificates of Participation (Laurel Park Acquisition)**

The City Council of the City of Los Alamitos (the "City") and the City of Los Alamitos Public Facilities Corporation (the "Corporation") would like to acquire the Laurel Park site from the Los Alamitos Unified School District (the "Project"). It is proposed that the Project be financed through the issuance of 2006 Certificates of Participation (Laurel Park Acquisition) (the "Certificates"). Presented to you are various resolutions and documents which will permit this financing to proceed.

Special Counsel Byrens recommended the Board of Directors adopt the Resolution authorizing the Corporation to execute and deliver the Lease Agreement and the Trust Agreement with respect to Certificate of Participation in an aggregate principal amount not to exceed \$3,600,000.

Motion/Second: Parker/Driscoll

Unanimously carried: The Board of Directors adopted Resolution No. 2006-02, entitled "RESOLUTION AUTHORIZING EXECUTION AND DELIVERY BY THE CORPORATION OF A LEASE AGREEMENT AND A TRUST AGREEMENT WITH

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RESPECT TO THE EXECUTION AND DELIVERY OF CERTIFICATES OF PARTICIPATION (LAUREL PARK PROJECT) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$3,600,000 AND AUTHORIZING EXECUTION AND DELIVERY OF SAID CERTIFICATES OF PARTICIPATION”.

4. **ADJOURNMENT**

The meeting was adjourned at 8:20 p.m. The next meeting of the Los Alamitos Public Facilities Corporation is to be determined at a later date.

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**FREDRICK M. FREEMAN**, President

ATTEST:

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Susan C. Vanderpool, Secretary

**MINUTES OF THE PUBLIC FACILITIES CORPORATION  
OF THE CITY OF LOS ALAMITOS**

**RECESSED MEETING – MONDAY, FEBRUARY 6, 2006**

**CALL TO ORDER**

The Public Facilities Corporation was called to order at 8:36 p.m., Monday, February 6, 2006, in the Council Chambers, 3191 Katella Avenue, President Freeman presiding.

**ROLL CALL**

**Present:** Directors: Parker, Jempsa, Poe, Driscoll and Freeman  
**Absent:** Directors: None

**3. ORAL COMMUNICATIONS**

President Freeman opened Oral Communications.

Dean Grose, resident and business owner, stated he was not opposed to the purchase of Laurel Park, he was simply interested in the financing. He felt public input should be taken, and residents needed to be made aware of what was transpiring.

President Freeman closed Oral Communications.

In light of public comment, President Freeman asked for a motion to ratify Resolution Nos. 2006-01 and 2006-02.

Motion/Second: Parker/Poe

Unanimously carried: The Directors ratified Public Facilities Corporation Resolution Nos. 2006-01 and 2006-02.

**4. ADJOURNMENT**

The meeting was adjourned at 8:37 p.m. The next meeting of the Los Alamitos Public Facilities Corporation is to be determined at a later date.

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**FREDRICK M. FREEMAN, President**

ATTEST:

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Susan C. Vanderpool, Secretary