STAFF REPORT

CITY OF SAN LEANDRO SUCCESSOR AGENCY OVERSIGHT BOARD

DATE: **November 28, 2012**

TO: **Successor Agency Oversight Board**

FROM: **David Baum, City Finance Director**

SUBJECT: Approval of Required Resolution and Documents for the Issuance of the City of San Leandro 2013 Refunding Lease Revenue Bonds

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SUMMARY AND RECOMMENDATIONS

Staff recommends that the Successor Agency Oversight Board approve by motion the resolution and documents required to issue the City of San Leandro 2013 Refunding Lease Revenue Bonds ("Refunding Bonds"). The proposed Refunding Bonds will be issued to refund $12,930,000 of currently outstanding City of San Leandro 2001 Certificates of Participation (2001 COP's) and City of San Leandro 2003 Certificates of Participation (2003 COP's). The par, or face value of the Refunding Bonds will not exceed $14.5 million and they will mature in 2028. Annual debt service on the Refunding Bonds will not exceed the annual debt service currently payable on the outstanding 2001 and 2003 COPs.

The Successor Agency unanimously approved this transaction on November 19, 2012. AB 1484 requires the Oversight Board to approve actions taken by the Successor Agency. AB 1484 also enables Successor Agency's to refinance outstanding redevelopment agency debt, if there is reduced annual debt service resulting from the Refunding Bonds and there is no new money created by the transaction. The Refunding Bonds will be partially paid by a reimbursement agreement, which currently secures the 2001 COPs.

DISCUSSION

In December 2001 the City issued $5,020,000 of the 2001 COP's to finance the acquisition and improvements necessary to support the City's Auto Mall. In May 2003, the City issued $12,550,000 of the 2003 COP's to refund previous debt used to improve City Hall and debt used to finance the construction of a parking facility in the Downtown. There are currently $3,610,000 and $9,490,000 of the 2001 and 2003 COPs outstanding, respectively. The City has an opportunity to refinance the 2001 and 2003 COPs and realize a substantial savings in annual debt service payments. Staff is recommending that the City use the savings from the 2003 COP's to augment the City's General Fund reserve. Because the debt service for the 2001 COP's was reimbursed to the City from redevelopment tax increment, the savings from the 2001 COP's will be distributed to affected taxing entities due to the dissolution of the City's

Redevelopment Agency. The following table presents the current status of the 2001 and 2003 COPs.

Table 1.
Current Status of the City of San Leandro 2001 and 2003 Certificates of Participation

Bond Issue	Issue Date	Originally Issued	Par Amount as of 1/1/13	Debt Service	Maturity Date
2001 COP's	12/13/01	$5,020,000	$3,440,000	$348,507	12/01/26
2003 COP's	05/21/03	12,550,000	$9,490,000	$874,646	06/01/28

The current municipal bond market allows the City to refinance the 2001 and 2003 COPs, reduce annual debt service and realize total savings as detailed in Table 2 below:

Table 2.
City of San Leandro Refunding Bonds Savings Analysis

Description	Total of Annual Debt Service Payments
2001 and 2003 COPs	$18,653,020
Refunding Bonds	$16,012,780
Total Savings	$ 2,640,240
Present Value of Savings	$ 2,312,628
Present Value Savings	8.4%

Based on municipal bond market rates effective October 24, staff estimates that the City will realize $2.64 million in total savings over the life of the 2001 and 2003 COPs. The present value of these future savings is $2.31 million. Savings of $1.23 million is attributed to the release of the debt service reserve fund from the 2001 and 2003 COPs. This results in net present value savings of 8.4% when taken as a percentage of the par value of outstanding 2001 and 2003 COPs. The general rule of thumb is that it is to a City's advantage to execute a financing transaction whenever net present value savings exceeds 3%.

By refunding the 2001 COP's, $872,000 is expected in gross savings, $716,000 in present value savings and $366,000 in net present value savings. The final maturity will match the 2001 COP's maturity on 12/1/2026. Similarly, by refunding the 2003 COP's, $1,768,000 is expected in gross savings, $1,597,000 in present value savings and $722,000 in net present value savings. The final maturity will match the 2003 COP's maturity on 6/1/2028.

Financing Structure

Over the years, the City had used certificates of participation to finance the construction and retrofitting of its public facilities. Certificates of participation are a variation of the general lease-purchase financing method that had been commonly used in California. Due to a perceived preference for lease revenue bonds in today's bond market, the Refunding Bonds will be structured as lease revenue bonds instead of certificates of participation. For the proposed Refunding Bonds, the City would lease City Hall to the San Leandro Public

Financing Authority (Authority). The Authority would lease City Hall back to the City for payments equal to the debt service on the Refunding Bonds. The City will make these payments to the trustee for the holders of the Refunding Bonds from its General Fund and an ongoing pledge of property taxes from the Successor Agency to the Redevelopment Agency.

Tax Increment Pledge

The City's obligation to make lease payments with respect to the 2001 COP's was secured by a reimbursement agreement between the City and its former Redevelopment Agency from tax increment revenue derived from the Joint Project Area. The reimbursement agreement provides 100% of the amounts needed for the City's lease payments, resulting in all debt service payable to the holders of the 2001 COP's having been made from tax increment revenue, and none coming from the City's General Fund. This agreement would transfer to the Refunding Bonds; the average annual debt service is expected to reduce by approximately $56,000. Due to the reimbursement of debt service by the Redevelopment Agency, the Successor Agency and its Oversight Board are required to authorize the Refunding Bonds.

The Financing Team

Staff has been working with the firms listed below to bring this financing transaction to the Council and Authority for approval. The resolution of issuance to be adopted by the Council directs staff to enter into agreements for consulting services with the following firms in the following capacities:

Name of Firm	Capacity
Stone & Youngberg	Underwriter
Public Financial management	Financial Advisor
Jones Hall, APLC	Bond Counsel
Jones Hall, APLC	Disclosure Counsel
U.S. Bank National Association	Trustee

Stone & Youngberg (S&Y) was chosen via a request for proposals. S&Y was deemed to be the strongest underwriter from a group of ten proposals received by the City. The primary reasons for S&Y's selection are its experience, pricing and structuring creativity.

Jones Hall (JH), APLC, has been the City's bond counsel dating back to 1979. JH ranks among the top two bond counsel in the number of state and local bond issues in California during each of the past ten years. Similarly, during the past ten years, JH has been among the top two as disclosure counsel.

Public Financial Management (PFM) was chosen via a request for proposals in 2011 to serve as the City's financial advisor for a three-year period. PFM previously served as financial advisor for the City's pension obligation bond issue completed in March 2012.

U.S. Bank has been bond trustee for the City's 2001 and 2003 COPs. U.S. Bank is one of the top five municipal bond trustees in the country and most recently served as trustee for the

City's 2012 Pension Obligation Bonds. U.S. Bank also serves the City with two local branch offices.

All fees associated with issuing the Refunding Bonds will be paid from bond proceeds.

Sources and Uses of Funds

Staff proposes the following sources and uses of funds for the Refunding Bonds financing transaction.

Sources of Funds	
Par Amount of 2013 Refunding Bonds	$11,215,000
Original Issue Premium	1,171,582
Transfer from 2003 COP's Reserve Fund	878,250
Transfer from 2001 COP's Reserve Fund	350,852
Total Sources of Funds	**$13,615,684**
Uses of Funds	
Refunding Escrow Deposit	$13,300,851
2013 Debt Service Reserve Fund	0
Underwriter's Discount	48,525
City Capital Fee	112,150
Costs of Issuance	154,158
Total Uses of Funds	**$13,615,684**

Sources of funds include the par amount of the 2013 Refunding Bonds and funds available in the current 2001 COP's and 2003 COP's reserve funds. The Refunding Bond proceeds will be deposited in the 2001 COPS's and 2003 COP's Refunding Escrows to retire the outstanding 2001 COP's on June 1, 2013 and the 2003 COP's on December 1, 2013. A Debt Service Reserve Fund is not expected to be funded in this issue due to the extraordinary cost of investing these idle funds. The Underwriter's Discount is a fee paid to the underwriter for structuring and marketing the Refunding Bonds. A Bond Insurance Premium will not be paid due to the lack of economic benefit associated with insuring these bonds. The Costs of Issuance and City Capital funds pay for legal, financial advisor, City staff, trustee, printing and other issuance costs.

Authorizing Resolutions

The City and Authority must approve the following resolutions to issue the 2013 Refunding Bonds.

City of San Leandro Resolution Authorizing the Execution and Delivery of Not to Exceed $14,500,000 Refunding Bonds, Authorizing and Directing Execution of Related Lease Financing Documents, Trust Agreement, and Bond Purchase Agreement, Approving Official Statement and Authorizing Official Actions - This resolution authorizes the City to issue the 2013 Refunding Bonds and execute the documents required to complete the financing transaction.

San Leandro Public Financing Authority Resolution Authorizing the Execution and Delivery of Not to Exceed $14,500,000 Refunding Bonds, Authorizing and Directing Execution of Related Lease Financing Documents, Approving Official Statement and Authorizing Official Actions - This resolution authorizes the Authority to enter into the 2013 Refunding Bonds transaction and execute the required lease agreements.

Bond Documents

The City and Authority must approve the following documents to complete the 2013 Refunding Bonds transaction.

Site Lease - This agreement establishes the lease of the City Hall from the City to the Authority. This agreement specifies the terms of the lease arrangement.

Lease Agreement - This agreement establishes the leaseback of City Hall from the Authority by the City. This agreement specifies the term of the agreement (15 years) and the amount of payments.

Assignment Agreement - This agreement is between the Authority and U.S. Bank National Association (the Trustee). In this agreement the Authority assigns all its rights under the Lease Agreement to the Trustee. For example, rather than the City making semi-annual lease payments to the Authority and the Authority then paying the bond holders, the City will make its payments directly to the Trustee and the Trustee will then pay the holders of the 2013 Refunding Bonds.

Indenture of Trust - The trust agreement is between the Authority, the City and the Trustee. The trust agreement sets forth the guidelines for the administration, investment and treatment of the proceeds of the issue.

Bond Purchase Agreement - The Bond Purchase Agreement is an agreement between the City and the underwriter under which the underwriter purchases the Refunding Bonds. This agreement specifies the price and interest rates at which the underwriter will purchase the Refunding Bonds and the documents that will be executed at closing.

Preliminary Official Statement - This document is the public offering statement for the issuance of the Refunding Bonds. This document thoroughly describes the financing program, the public improvements to be financed, and the economic, financial and social characteristics of the City.

Continuing Disclosure Certificate - This agreement obligates the City to continue providing information regarding the City, the Authority and the Refunding Bonds to the secondary municipal bond market as long as they are outstanding.

Amended and Restated Reimbursement Agreement - This agreement guarantees the payment of tax increment from the former Redevelopment Agency's Joint Project Area, sufficient to pay debt service on the Refunding Bonds associated with the refunding of the 2001 COP's.

Irrevocable Refunding Instructions (2001 COPs) and Irrevocable Refunding Instructions (2003 COPs) - These agreements set forth the terms to accomplish the prepayment of the outstanding 2001and 2003 COPs, the City will deposit, or cause to be deposited, a portion of the proceeds of the 2013 Bonds and certain other moneys with the 2001 and 2003 COPs' Trustee in accordance with these Instructions.

Termination Agreement (2001 COPs) and Termination Agreement (2003 COPs) – These agreements terminate the 2001 and 2003 Lease Agreements, the 2001 and 2003 Site Leases, the 2001 and 2003 Memoranda of Lease and the 2001 and 2003 Assignment Agreements relating to the pledge of assets for the 2001 and 2003 COPs.

Current City Council Policy

The City Council and Public Financing Authority must approve municipal debt issues that impact their financial position.

Summary of Public Outreach Efforts

The meeting was properly noticed in accordance with California law.

Fiscal Impact

The par value of the Refunding Bonds will not exceed $14,500,000 and they will mature in 2028. The Refunding Bonds will have an interest cost of less than 4.5% and annual debt service on the Refunding Bonds will be approximately $1,000,000. Annual debt service on the Refunding Bonds will not exceed the annual debt service currently payable on the outstanding 2001 and 2003 COPs.

Budget Authority

City of San Leandro Charter

ATTACHMENTS

The following financing documents are attached:

- Site Lease
- Lease Agreement
- Assignment Agreement
- Indenture of Trust
- Bond Purchase Agreement
- Preliminary Official Statement
- Continuing Disclosure Certificate (appendix in Preliminary Official Statement)
- Amended and Restated Reimbursement Agreement
- Irrevocable Refunding Instructions (2001 COPs)
- Irrevocable Refunding Instructions (2003 COPs)
- Termination Agreement (2001 COPs)
- Termination Agreement (2003 COPs)

RESOLUTION NO. ____

Resolution of the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of San Leandro Approving, Authorizing and Directing Execution of an Amended and Restated Reimbursement Agreement and Authorizing and Directing Certain Actions with Respect Thereto (authorizes the execution of documents relating to the issuance of the San Leandro Public Financing Authority 2013 Refunding Bonds)

RESOLVED, by the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of San Leandro (the "Successor Agency"), as follows:

WHEREAS, the City of San Leandro, California (the "City"), working together with the San Leandro Public Financing Authority (the "Authority"), is proposing to refinance City's 2001 Certificates of Participation (Joint Project Area Financing) (the "2001 Certificates") in order to achieve debt service savings; and

WHEREAS, the 2001 Certificates evidenced lease payments (the "2001 Lease Payments") made by the City to the Authority under a Lease Agreement dated as of December 1, 2001 (the "2001 Lease Agreement") between the Authority, as lessor, and the City, as lessee; and

WHEREAS, in connection with the execution and delivery of the 2001 Certificates, the Redevelopment Agency of the City of San Leandro (the "Agency") and the City entered into a Reimbursement Agreement dated as of December 1, 2001, pursuant to which the Agency agreed to reimburse the City for the 2001 Lease Payments inasmuch as the proceeds of the 2001 Certificates were used to assist the Agency in undertaking various redevelopment activities within the boundaries of the Agency's Joint Project Area; and

WHEREAS, in connection with the refinancing, the Authority, as lessor, and the City, as lessee, will enter into a Lease Agreement dated as of January 1, 2013 (the "2013 Lease Agreement"), pursuant to which the City will make lease payments, a portion of which relate to the refunding of the 2001 Certificates (the "2001 Refunding Lease Payments"), to the Authority; and

WHEREAS, in order to entice the City to enter into the 2013 Lease Agreement and to obligate itself to make the 2001 Refunding Lease Payments, the Successor Agency desires to enter into an Amended and Restated Reimbursement Agreement (the "2013 Reimbursement Agreement"); and

WHEREAS, the 2013 Reimbursement Agreement has been filed with the Secretary to the Successor Agency, and the governing board of the Successor Agency, with the aid of its staff, have reviewed said documents;

NOW, THEREFORE, BE IT HEREBY RESOLVED by the governing board of the Successor Agency to the San Leandro Redevelopment Agency that it hereby:

Section 1. The 2013 Reimbursement Agreement, in the form presented to this meeting, is hereby approved. The Chair, the Executive Director, and the Treasurer of the Successor Agency, each acting alone, are hereby authorized and directed to execute the 2013 Reimbursement Agreement, with such changes, insertions and omissions as may be approved by such official's signature.

Section 2. The Chair, the Executive Director, the Treasurer and the Secretary are hereby authorized and directed to execute such other agreements, documents and certificates as may be necessary to effectuate the purposes of this resolution and the lease financing herein authorized.

Section 3. This Resolution shall take effect upon its adoption by this governing board; provided that the Successor Agency will not execute and deliver the 2013 Reimbursement Agreement until such execution and delivery has been approved by the Successor Agency's Oversight Board and the Department of Finance of the State of California.

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall
A Professional Law Corporation
650 California Street, 18th Floor
San Francisco, California 94108
Attention: Stephen G. Melikian, Esq.

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

SITE LEASE

This SITE LEASE (this "**Site Lease**"), dated for convenience as of January 1, 2013, is between the CITY OF SAN LEANDRO, a municipal corporation and chartered city duly organized and existing under the Constitution and laws of the State of California, as lessor (the "**City**"), and the SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessee (the "**Authority**").

B A C K G R O U N D :

1. The City has previously caused the execution and delivery of its (a) 2001 Certificates of Participation (Joint Project Area Financing) in the aggregate initial principal amount of $5,020,000 (the "**2001 Certificates**") for the purpose of financing certain capital projects within or benefit to the Joint Project Area of the Redevelopment Agency of the City of San Leandro and (b) 2003 Certificates of Participation (City Hall Refinancing Project) in the aggregate initial principal amount of $12,550,000 (the "**2003 Certificates**") for the purpose of refunding, on a current basis, the City of San Leandro Certificates of Participation (1993 Seismic Retrofit Financing Project), which were executed and delivered to finance improvements to the City Hall of the City and to refund, on an advance basis, the Parking Authority of the City of San Leandro 1982 Parking Lease Revenue Bonds, which were issued to finance certain parking improvements for the City.

2. The City is proceeding to refinance its outstanding 2001 Certificates and its outstanding 2003 Certificates (collectively, the "**Prior Certificates**").

3. To that end, the City will lease the real property constituting its City Hall, including land and improvements (the "**Leased Property**"), to the Authority under this Site Lease described in Appendix A hereto, in consideration of the payment by the Authority of an upfront rental payment (the "**Site Lease Payment**") which is sufficient to provide funds for the prepayment of the Prior Certificates.

4. The Authority has authorized the issuance of its San Leandro Public Financing Authority 2013 Refunding Lease Revenue Bonds in the aggregate principal amount of $_____ (the "**Bonds**") under this Indenture for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has leased the Leased Property back to the City under a Lease Agreement dated as of January 1, 2013 (the "**Lease**"), under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The lease payments made by the City under the Lease have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement, dated as of January 1, 2013, between the Authority as assignor and the Trustee as assignee.

A G R E E M E N T :

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. *Lease of Property to Authority.* The City hereby leases the Leased Property to the Authority and the Authority hereby leases the Leased Property from the City, on the terms and conditions hereinafter set forth.

SECTION 2. *Term; Possession*. The term of this Site Lease commences on the Closing Date and ends on the date on which the Indenture is discharged in accordance with Section 10.03 thereof, but under any circumstances not later than October 1, 2041. The provisions of this Section 2 are subject in all respects to any other provisions of this Site Lease relating to the termination hereof.

SECTION 3. *Rental*. The Authority shall pay to the City as and for rental of the Leased Property hereunder, the sum of $_____ (the "**Site Lease Payment**"). The Site Lease Payment is due and payable upon the issuance of the Bonds and the execution and delivery hereof, and will be paid from the proceeds of the Bonds. The Authority and the City hereby find and determine that the total amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the Leased Property which is conveyed hereunder by the City to the Authority. No other amount of rental is due and payable by the Authority for the use and occupancy of the Leased Property under this Site Lease.

As provided in the Indenture, a portion of the proceeds of the Bonds will be applied to make the Site Lease Payment by depositing the full amount thereof with the 2001 Trustee and the 2003 Trustee to be held, invested and administered in accordance with the 2001 Refunding Instructions and the 2003 Refunding Instructions for the purpose of discharging the City's obligations with respect to the Prior Certificates.

SECTION 4. *Leaseback to City*. The Authority shall lease the Leased Property back to the City under the Lease.

SECTION 5. *Assignments and Subleases*. Unless the City is in default under the Lease, the Authority may not assign its rights under this Site Lease or sublet all or any portion of the Leased Property, except as provided in the Assignment Agreement and in the Lease, without the prior written consent of the City.

SECTION 6. *Substitution or Release of Property*. If the City exercises its option under Section 3.2 of the Lease to substitute property for the Leased Property in whole or in part, such substitution shall also operate to substitute property for the Leased Property which is leased hereunder. If the City exercises its option under Section 3.3 of the Lease to release a portion of the Leased Property from the Lease, such substitution shall also operate to release such portion of the Leased Property hereunder. The description of the Leased Property which is leased under the Lease shall conform at all times to the description of the Leased Property which is leased hereunder.

SECTION 7. *Right of Entry*. The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property, or any portion thereof, at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 8. *Termination*. The Authority agrees, upon the termination of this Site Lease, to quit and surrender the Leased Property in the same good order and condition as the Leased Property was in at the time of commencement of the term hereof, reasonable wear and tear excepted, and agrees that all buildings, improvements and structures then existing upon the Leased Property shall remain thereon and title thereto shall vest thereupon in the City for no additional consideration.

SECTION 9. *Default*. If the Authority defaults in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Lease shall be deemed to occur as a result thereof and no such remedy may include termination hereof; *provided, however*, that so long as the Lease remains in effect, the Lease Payments payable by the City under the Lease shall continue to be paid to the Trustee.

SECTION 10. *Quiet Enjoyment*. The Authority at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property, subject to the provisions of the Lease and subject only to Permitted Encumbrances (as that term is defined in the Lease).

SECTION 11. *Waiver of Personal Liability*. All liabilities under this Site Lease on the part of the Authority are solely corporate liabilities of the Authority as a public entity, and the City hereby releases each and every member and officer of the Authority of and from any personal or individual liability under this Site Lease. No member or officer of the Authority or its governing board shall at any time or under any circumstances be individually or personally liable under this Site Lease for anything done or omitted to be done by the Authority hereunder.

SECTION 12. *Taxes*. The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Leased Property and any improvements thereon.

SECTION 13. *Eminent Domain*. If the whole or any part of the Leased Property or any improvements thereon is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid Lease Payments payable under the Lease and the balance of the award, if any, shall be paid to the City.

SECTION 14. *Partial Invalidity*. If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 15. *Notices*. Any notice, request, complaint, demand or other communication under this Site Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City, the Authority and the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority or the City:	City of San Leandro 835 East 14th Street San Leandro, CA 95240 Attention: Finance Director Fax: (510) 577-3312
If to the Trustee:	U.S. Bank National Association Attn.: Global Corporate Trust Services One California Street, Suite 1000 San Francisco, CA 94111 Fax: 415-677-3768

SECTION 16. *Amendment of this Site Lease*. The Authority and the City may at any time amend or modify any of the provisions of this Site Lease, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to make cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds;

(ii) to amend any provision hereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will

not adversely affect the exclusion from gross income of interest on the Bonds under the Tax Code, in the opinion of Bond Counsel;

(iii) to conform to any amendment of the Indenture which is made thereto in accordance with Section 9.01 of the Indenture; or

(iv) for the purpose of effectuating any substitution or release of property under Section 6.

SECTION 17. *Governing Law*. This Site Lease shall be construed in accordance with and governed by the Constitution and laws of the State of California.

SECTION 18. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary under this Site Lease with all rights of a third party beneficiary.

SECTION 19. *Binding Effect*. This Site Lease inures to the benefit of and is binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 20. *Section Headings*. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

SECTION 21. *Execution in Counterparts*. This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same lease. It is also agreed that separate counterparts of this Site Lease may be separately executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

SECTION 22. *Defined Terms*. All capitalized terms used herein and not otherwise defined have the respective meanings given those terms in the Indenture.

IN WITNESS WHEREOF, the City and the Authority have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF SAN LEANDRO, *as lessor*

By _____
Chris Zapata
City Manager

Attest:

_____
Marian Handa
City Clerk

SAN LEANDRO PUBLIC FINANCING AUTHORITY, *as lessee*

By _____
Chris Zapata
Executive Director

Attest:

_____
Marian Handa
Secretary

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of San Leandro, County of Alameda, State of California, which is more particularly described as follows:

TO BE RECORDED AND WHEN RECORDED
RETURN TO:
Jones Hall, A Professional Law Corporation
650 California Street, 18th Floor
San Francisco, California 94108
Attention: Stephen G. Melikian, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

LEASE AGREEMENT

Dated as of January 1, 2013

between the

SAN LEANDRO PUBLIC FINANCING AUTHORITY,
as lessor

and the

CITY OF SAN LEANDRO,
as lessee

Relating to

$_____
San Leandro Public Financing Authority
2013 Refunding Lease Revenue Bonds

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LEASE AGREEMENT

This LEASE AGREEMENT (this "**Lease**"), dated for convenience as of January 1, 2013, is between the SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessor (the "**Authority**"), and the CITY OF SAN LEANDRO, a municipal corporation organized and chartered city duly organized and existing under the Constitution and laws of the State of California, as lessee (the "**City**").

B A C K G R O U N D :

1. The City has previously caused the execution and delivery of its (a) 2001 Certificates of Participation (Joint Project Area Financing) in the aggregate initial principal amount of $5,020,000 (the "**2001 Certificates**") for the purpose of financing certain capital projects within or benefit to the Joint Project Area of the Redevelopment Agency of the City of San Leandro and (b) 2003 Certificates of Participation (City Hall Refinancing Project) in the aggregate initial principal amount of $12,550,000 (the "**2003 Certificates**") for the purpose of refunding, on a current basis, the City of San Leandro Certificates of Participation (1993 Seismic Retrofit Financing Project), which were executed and delivered to finance improvements to the City Hall of the City and to refund, on an advance basis, the Parking Authority of the City of San Leandro 1982 Parking Lease Revenue Bonds, which were issued to finance certain parking improvements for the City.

2. The City is proceeding to refinance its outstanding 2001 Certificates and its outstanding 2003 Certificates (collectively, the "**Prior Certificates**").

3. To that end, the City has leased the real property constituting its City Hall, including land and improvements (the "**Leased Property**"), to the Authority under a Site Lease dated as of January 1, 2013 (the "**Site Lease**"), in consideration of the payment by the Authority of an upfront rental payment (the "**Site Lease Payment**") which is sufficient to provide funds for the prepayment of the Prior Certificates.

4. The Authority has authorized the issuance of its San Leandro Public Financing Authority 2013 Refunding Lease Revenue Bonds in the aggregate principal amount of $_____ (the "**Bonds**") under an Indenture of Trust dated as of January 1, 2013 by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**") for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority will lease the Leased Property back to the City under this Lease, under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The lease payments made by the City under the Lease have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement, dated as of January 1, 2013, between the Authority as assignor and the Trustee as assignee.

7. The City and the Authority have found and determined that all acts and proceedings required by law necessary to make this Lease, when executed by the City and the

Authority, the valid, binding and legal obligations of the City and the Authority, and to constitute this Lease a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Lease have been in all respects duly authorized.

A G R E E M E N T :

In consideration of the material covenants contained in this Lease, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease have the respective meanings given them in the Indenture.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular includes the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Lease; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Covenants, Representations and Warranties of the City.* The City makes the following covenants, representations and warranties to the Authority and the Trustee as of the date of the execution and delivery of this Lease:

(a) Due Organization and Existence. The City is a municipal corporation organized and chartered city duly organized and validly existing under the Constitution and laws of the State of California, has full legal right, power and authority under the laws of the State of California to enter into the Site Lease and this Lease and to carry out and consummate all transactions contemplated hereby, and by proper action the City has duly authorized the execution and delivery of the Site Lease and this Lease.

(b) Due Execution. The representatives of the City executing the Site Lease and this Lease have been fully authorized to execute the same under a resolution duly adopted by the City Council of the City.

(c) Valid, Binding and Enforceable Obligations. The Site Lease and this Lease have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

(d) No Conflicts. The execution and delivery of the Site Lease and this Lease, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions thereof and hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease or the financial condition, assets, properties or operations of the City.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Site Lease and this Lease, or the consummation of any transaction therein and herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental

authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Site Lease and this Lease, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease or the financial conditions, assets, properties or operations of the City.

SECTION 2.2. *Covenants, Representations and Warranties of the Authority.* The Authority makes the following covenants, representations and warranties to the City and the Trustee as of the date of the execution and delivery of this Lease:

(a) Due Organization and Existence. The Authority is a joint exercise of powers authority duly organized and existing under a joint powers agreement and the laws of the State of California; has power to enter into this Lease, the Site Lease, the Assignment Agreement and the Indenture; is possessed of full power to own and hold, improve and equip real and personal property, and to lease the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.

(b) Due Execution. The representatives of the Authority executing this Lease, the Site Lease, the Assignment Agreement and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Authority.

(c) Valid, Binding and Enforceable Obligations. This Lease, the Site Lease, the Assignment Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms.

(d) No Conflicts. The execution and delivery of this Lease, the Site Lease, the Assignment Agreement and the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which

conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, the Assignment Agreement and the Indenture or the financial condition, assets, properties or operations of the Authority.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease, the Site Lease, the Assignment Agreement or the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease, the Site Lease, the Assignment Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, the Assignment Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority.

ARTICLE III

DEPOSIT AND APPLICATION OF FUNDS; SUBSTITUTION AND RELEASE OF PROPERTY

SECTION 3.1. *Deposit of Moneys.* On the Closing Date, the Authority will cause the proceeds of sale of the Bonds to be deposited with the Trustee. The Trustee shall deposit such proceeds in accordance with Section 3.02 of the Indenture.

SECTION 3.2. *Substitution of Property.* The City has the option at any time and from time to time, to substitute other real property (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such substitution:

(a) No Event of Default has occurred and is continuing.

(b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Alameda County Recorder sufficient

memorialization of, an amendment hereof which adds the legal description of the Substitute Property to Appendix A and deletes therefrom the legal description of the Former Property.

(c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate hereunder in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.

(d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.

(e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made herein.

(g) The City has filed with the Authority and the Trustee a written certificate of the City or other written evidencing stating that the useful life of the Substitute Property at least extends to October 1, 2031, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable hereunder.

(h) The City has mailed written notice of such substitution to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this Section. The Authority and the City will execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease and the Assignment Agreement of record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site Lease, this Lease and the Assignment Agreement.

SECTION 3.3. *Release of Property.* The City has the option at any time and from time to time to release any portion of the Leased Property from this Lease (the "**Released Property**") provided that the City has satisfied all of the following requirements which are hereby declared to be conditions precedent to such release:

(a) No Event of Default has occurred and is continuing.

(b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Alameda County Recorder sufficient

memorialization of, an amendment hereof which removes the Released Property from the Site Lease and this Lease.

(c) The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to this Lease following such release is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to this Lease following such release is at least equal to the Lease Payments thereafter coming due and payable hereunder.

(d) The City has mailed written notice of such release to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease and the Assignment Agreement of record against the Released Property.

ARTICLE IV

LEASE OF LEASED PROPERTY; TERM OF THIS LEASE; LEASE PAYMENTS

SECTION 4.1. *Lease of Leased Property.* The Authority hereby leases the Leased Property to the City and the City hereby leases the Leased Property from the Authority, upon the terms and conditions set forth in this Lease.

SECTION 4.2. *Term*. The Term of this Lease commences on the Closing Date and ends on the date on which the Indenture is discharged in accordance with Section 10.03 thereof, but under any circumstances not later than October 1, 2041. The provisions of this Section are subject to the provisions of Section 6.2 relating to the taking in eminent domain of the Leased Property in whole or in part.

SECTION 4.3. *Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Sections 6.2 and 6.3 and the provisions of Article IX, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in Appendix B attached to this Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in Appendix B, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in Appendix B. Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under Article IX, and amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid hereunder. The City is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee. The Lease Payments payable in any

Rental Period are for the use of the Leased Property during that Rental Period. The City agrees to apply all Reimbursement Payments actually received from the Successor Agency to pay Lease Payments, including during any period during which the City would otherwise not be obligated to make Lease Payments due to an abatement of Lease Payment pursuant to Sections 6.2 and 6.3 hereof; provided, however, that during such a period of abatement, the City shall only be obligated to apply Reimbursement Payments actually received to make Lease Payments.

(b) Effect of Prepayment. If the City prepays all Lease Payments in full under Sections 9.1, 9.2 or 9.3, the City's obligations under this Section will thereupon cease and terminate. If the City prepays the Lease Payments in part but not in whole under Sections 9.1, 9.2 or 9.3, the principal components of the remaining Lease Payments will be reduced in integral multiples of $5,000 among Lease Payment Dates on a basis which corresponds to the principal maturities of the Bonds which are redeemed thereby; and the interest component of each remaining Lease Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under Section 4.01 of the Indenture.

(c) Rate on Overdue Payments. If the City fails to make any of the payments required in this Section, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding Bond.

(d) Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property based on comparable properties, insurance appraisals and other records maintained by the City, other obligations of the City and the Authority under this Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

(e) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, under the Assignment Agreement, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees to pay to the Trustee at its Office, all payments payable by the City under this Section and all amounts payable by the City under Article IX.

(f) Allocation of Lease Payments. The allocation of Lease Payments to the refunding of the 2001 Certificates and the allocation of Lease Payments to the refunding of the 2003 Certificates is set forth in Appendix B hereto.

SECTION 4.4. *Source of Payments; Covenant to Budget and Appropriate.* The Lease Payments are payable from any source of available funds of the City, including Reimbursement Payments, subject to the provisions of Sections 6.2 and 6.3. The City covenants to take all actions required to include the Lease Payments in each of its annual budgets during the Term of this Lease and to make the necessary appropriations for all Lease Payments and Additional

Rental Payments. The foregoing covenant of the City contained constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the City.

SECTION 4.5. *Additional Rental Payments*. In addition to the Lease Payments, the City shall pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority hereunder:

(a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due,

(b) all reasonable compensation to the Trustee for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture,

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Lease or the Indenture,

(d) amounts coming due and payable as Excess Investment Earnings in accordance with Section 7.6(e), and

(e) the reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of this Lease or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving this Lease, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of this Lease.

SECTION 4.6. *Quiet Enjoyment.* Throughout the Term of this Lease, the Authority shall provide the City with quiet use and enjoyment of the Leased Property and the City will peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease. The Authority 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 Authority may lawfully do so. Notwithstanding the foregoing, the Authority has the right to inspect the Leased Property as provided in Section 7.2.

SECTION 4.7. *Title.* Upon the termination of this Lease (other than under Section 8.2(b) hereof), all right, title and interest of the Authority in and to the Leased Property transfers to and vests in the City. The Authority shall take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

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 Property, all improvement, repair and maintenance of the Leased Property are the responsibility of the City, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property 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 Authority agrees to provide only the Leased Property. The City waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does 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, if any, charged to the Authority or the City affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall 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 may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority notifies the City that, in its reasonable opinion, by nonpayment of any such items the interest of the Authority in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

SECTION 5.2. *Modification of Leased Property.* The City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of this Lease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this Section, must be of a value which is not substantially less than the value thereof 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 Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this Section; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the

nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

SECTION 5.3. *Liability and Property Damage Insurance.* The City shall maintain or cause to be maintained throughout the Term of this Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. 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 operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 5.7, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

SECTION 5.4. *Casualty Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such 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, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in Section 6.1.

SECTION 5.5. *Rental Interruption Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

SECTION 5.6. *Recordation Hereof; Title Insurance.* On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and this Lease, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Alameda County Recorder, and (b) obtain a CLTA title insurance

policy insuring the City's leasehold estate hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy must be deposited with the Trustee in the Bond Fund to be credited towards the prepayment of the remaining Lease Payments under Section 9.3.

SECTION 5.7. *Insurance Net Proceeds; Form of Policies.* Each policy of insurance maintained under Sections 5.4, 5.5 and 5.6 must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a certificate of the City stating that all policies of insurance required hereunder are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any insurance maintained under Section 5.3 is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

SECTION 5.8. *Installation of City's Personal Property.* The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of the City, in which neither the Authority nor the Trustee has any interest, and may be modified or removed by the City at any time, provided that the City must repair all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease prevents the City from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, so long as no such lien or security interest attaches to any part of the Leased Property.

SECTION 5.9. *Liens.* The City may 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 Property, other than as herein contemplated and except for such encumbrances as the City certifies in writing to the Trustee do not materially and adversely affect the leasehold estate of the City in the Leased Property hereunder. If any such mortgage, pledge, lien, charge, encumbrance or claim does materially and adversely affect the leasehold estate of the City in the Leased Property hereunder, the City will 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; provided that the City is not required to do so prior to the time when such mortgage, pledge, lien, charge, encumbrance or claim actually causes such material adverse effect. The City will reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

SECTION 5.10. *Advances.* If the City fails to perform any of its obligations under this Article V, the Authority may (but is not required to) take such action as it deems necessary to cure such failure, including the advancement of money, and the City shall repay all such advances as Additional Rental Payments hereunder, with interest at the rate set forth in Section 4.3(c).

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

SECTION 6.1. *Application of Net Proceeds.* The Trustee, as assignee of the Authority under the Assignment Agreement, has the right to receive all Net Proceeds. As provided in the Indenture, the Trustee will deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in Section 5.07 of the Indenture.

SECTION 6.2. *Termination or Abatement Due to Eminent Domain.* If the Leased Property 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 this Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

(a) this Lease shall continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and

(b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Notwithstanding the foregoing, there shall be no abatement of the Lease Payments under this Section 6.2 in the event and to the extent that amounts in the Insurance and Condemnation Fund or the Bond Fund are available to pay Lease Payments which would otherwise be abated, or Reimbursement Payments are received from the Agency, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

SECTION 6.3. *Abatement Due to Damage or Destruction.* The Lease Payments are subject to abatement 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 by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will 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 continues in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage and destruction.

Notwithstanding the foregoing, there shall be no abatement of the Lease Payments under this Section 6.3 in the event and to the extent that amounts in the Insurance and Condemnation Fund or the Bond Fund are available to pay Lease Payments which would otherwise be abated, or Reimbursement Payments are received from the Agency, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

The abatement of Lease Payments hereunder in accordance with the terms hereof shall not constitute an Event of Default (as defined in Section 8.1) hereunder.

ARTICLE VII

OTHER COVENANTS OF THE CITY

SECTION 7.1. *Disclaimer of Warranties.* THE AUTHORITY AND THE TRUSTEE MAKE NO AGREEMENT, 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 PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. The Authority has no liability for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease for the existence, furnishing, functioning or use of the Leased Property by the City.

SECTION 7.2. *Access to the Leased Property.* The City agrees that the Authority and any Authorized Representative of the Authority, and the Authority's successors or assigns, have the right at all reasonable times to enter upon and to examine and inspect the Leased Property or any part thereof. The City further agrees that the Authority, any Authority Representative and the Authority's successors or assigns may have such rights of access to the Leased Property or any component thereof as reasonably necessary to cause the proper maintenance of the Leased Property if the City fails to perform its obligations hereunder; *provided, however,* that neither the Authority nor any of its assigns has any obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The City agrees to indemnify the Authority, the Trustee and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of any of the following:

(a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the City,

(b) any breach or default on the part of the City in the performance of any of its obligations under this Lease,

(c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property,

(d) any intentional misconduct or negligence of any sublessee of the City with respect to the Leased Property,

(e) the acquisition, construction, improvement and equipping of the Leased Property, or the authorization of payment of the costs thereof, or

(f) the acceptance and performance of the duties of the Trustee under the Indenture and under this Lease.

No indemnification is made under this Section or elsewhere in this Lease for willful misconduct or negligence under this Lease by the Authority, the Trustee or their respective officers, agents, employees, successors or assigns.

SECTION 7.4. *Assignment and Subleasing by the City.* The City may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

(a) this Lease and the obligation of the City to make Lease Payments hereunder must remain obligations of the City;

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

(c) no such sublease by the City may cause the Leased Property to be used for a purpose which is not authorized under the provisions of the laws of the State of California; and

(d) the City must furnish to the Authority and the Trustee a written opinion of Bond Counsel stating that such sublease does not cause the interest on the Bonds to become included in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State of California.

SECTION 7.5. *Amendment Hereof.* The Authority and the City may at any time amend or modify any of the provisions of this Lease, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City contained in this Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;

(iii) to modify, amend or supplement this Lease in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;

(iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property under Sections 3.2 or 3.3;

(v) to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, (B) the City has obtained and filed with the Trustee an appraisal showing that the appraised value of the Leased Property is at least equal to the aggregate principal amount of the Outstanding Bonds and all such other bonds, notes, leases or other obligations, and (C) the City has filed with the Trustee written evidence that the amendments made under this clause (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Bonds; or

(vi) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Lease Payment Date or reducing any Lease Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

SECTION 7.6. *Tax Covenants*.

(a) Private Business Use Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds 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 may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The City may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations 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 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the

Bonds 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.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The City shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the City from any source of legally available funds of the City, and shall constitute Additional Rental Payments hereunder.

The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the City of any of the requirements under this subsection (e).

SECTION 7.7. *Continuing Disclosure*. The City shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Lease, failure of the City to comply with such Continuing Disclosure Certificate will not constitute an Event of Default, although any Participating Underwriter (as that term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section, including seeking mandate or specific performance by court order.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. *Events of Default Defined.* Any one or more of the following events constitute an Event of Default hereunder:

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

(b) 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 the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(c) 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 Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under this Lease. Notwithstanding anything herein or in the Indenture to the contrary, neither the Authority nor the Trustee may accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted hereunder; except that no termination of this Lease may be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Authority may exercise each and every one of the following remedies, subject in all respects to the limitations set forth in Section 8.3.

(a) Enforcement of Payments Without Termination. If the Authority does not elect to terminate this Lease in the manner hereinafter 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 Authority for any deficiency arising out of the re-leasing of the Leased Property, or, if the Authority is unable to re-lease the Leased Property, 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 hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Authority. The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place the Leased Property in storage or other suitable place in the County of Alameda for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of the Leased Property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-

leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City agrees to surrender and quit possession of the Leased Property upon demand of the Authority for the purpose of enabling the Leased Property to be re-let under this paragraph, and the City further waives the right to any rental obtained by the Authority in excess of the Lease Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Property.

(b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Authority at its option may terminate this Lease and re-lease all or any portion of the Leased Property. If the Authority terminates this Lease at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the City nevertheless agrees to pay to the Authority 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 and Additional Rental Payments. Any surplus received by the Authority from such re-leasing shall be deposited in the Bond Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Lease. The City covenants and agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy is cumulative and 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 the occurrence of any Event of Default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it is not necessary to give any notice, other than as expressly required in this Article VIII or by law.

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If the Authority or the City defaults under any of the provisions of this Lease and the nondefaulting party employs attorneys or incurs 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 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; *provided, however*, that the Trustee shall not be required to expend its own funds for any payment described in this Section.

SECTION 8.5. *No Additional Waiver Implied by One Waiver.* If the Authority or the City breaches any agreement in this Lease and thereafter the other party waives the breach, such waiver is limited to the particular breach so waived and does not operate to waive any other breach hereunder.

SECTION 8.6. *Application of Proceeds.* All net proceeds received from the re-lease of the Leased Property under this Article VIII, and all other amounts derived by the Authority or the Trustee as a result of the occurrence of an Event of Default, must be paid to and applied by the Trustee in accordance with Section 7.03 of the Indenture.

SECTION 8.7. *Trustee and Bond Owners to Exercise Rights.* Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Assignment Agreement for the benefit of the Bond Owners, to which assignment the City hereby consents. The Trustee and the Bond Owners shall exercise such rights and remedies in accordance with the Indenture.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease, the City may on any date secure the payment of the Lease Payments allocable to the Leased Property in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Indenture, is either:

(a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Appendix B, or

(b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, (which opinion must be addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due under Section 4.3(a), as the City instructs at the time of said deposit.

If the City makes a security deposit under this Section with respect to all unpaid Lease Payments, and notwithstanding the provisions of Section 4.2, (a) the Term of this Lease will continue, (b) all obligations of the City under this Lease, and all security provided by this Lease for said Lease Payments, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of said Lease Payments from such security deposit, and (c) under Section 4.7, title to the Leased Property will vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said security

deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of this Lease.

SECTION 9.2. *Optional Prepayment.* The City has the option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of $5,000, from any source of legally available funds, on any date on or after April 1, 2022, at a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such Interest Payment Date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of Bonds under Section 4.01(a) of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the redemption of Bonds under Section 4.01(a) of the Indenture. The City shall give written notice to the Trustee of its intention to prepay the Lease Payments under this Section in sufficient time to enable the Trustee to give notice of the corresponding redemption of Bonds in accordance with Section 4.03 of the Indenture. .

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The City shall prepay the principal components of the Lease Payments allocable to the Leased Property in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or eminent domain award with respect to the Leased Property theretofore deposited in the Redemption Fund for that purpose under Article VI hereof and Section 5.07 of the Indenture. Such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, will be credited towards the City's obligations under this Section and applied to the corresponding redemption of Bonds under Section 4.01(b) of the Indenture.

SECTION 9.4. *Credit for Amounts on Deposit.* If the principal components of the Lease Payments are prepaid in full under this Article IX, such that the Indenture is discharged by its terms as a result of such prepayment, at the written election of the City filed with the Trustee any or all amounts then on deposit in the Bond Fund (and the accounts therein) will be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. *Notices.* Any notice, request, complaint, demand or other communication under this Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority or the City:	City of San Leandro 835 East 14th Street San Leandro, CA 95240 Attention: Finance Director Fax: (510) 577-3312

If to the Trustee: U.S. Bank National Association
Attn.: Global Corporate Trust Services
One California Street, Suite 1000
San Francisco, CA 94111
Fax: 415-677-3768

SECTION 10.2. *Binding Effect.* This Lease inures to the benefit of and binds the Authority, the City and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Lease is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Lease is deemed and construed to be a "net-net-net lease" and the City hereby agrees that the Lease Payments are an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.6. *Further Assurances and Corrective Instruments.* The Authority and the City shall, 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 Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

SECTION 10.7. *Execution in Counterparts.* This Lease may be executed in several counterparts, each of which is an original and all of which constitute but one and the same instrument.

SECTION 10.8. *Applicable Law.* This Lease is governed by and construed in accordance with the laws of the State of California.

SECTION 10.9. *Authority and City Representatives.* Whenever under the provisions of this Lease the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given for the Authority and for the City by an Authorized Representative thereof, and any party hereto may conclusively rely upon any such approval or request.

SECTION 10.10. *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 Authority and the City have caused this Lease to be executed in their respective names by their duly authorized officers, all as of the date first above written.

SAN LEANDRO PUBLIC FINANCING AUTHORITY, *as lessor*

By _____
Chris Zapata
Executive Director

Attest:

_____
Marian Handa
Secretary

CITY OF SAN LEANDRO, *as lessee*

By _____
Chris Zapata
City Manager

Attest:

_____
Marian Handa
City Clerk

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of San Leandro, County of Alameda, which is more particularly described as follows:

APPENDIX B

SCHEDULE OF LEASE PAYMENTS

Lease Payment Date*	Principal Component	Interest Component	Aggregate Lease Payment
6/1/13			
12/1/13			
6/1/14			
12/1/14			
6/1/15			
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12/1/24			
6/1/25			
12/1/25			
6/1/26			
12/1/26			
6/1/27			
12/1/27			
6/1/28			
12/1/28			

* Lease Payment Dates are the Business Day immediately preceding each date listed in the schedule

SCHEDULE OF LEASE PAYMENTSRELATING TO THE 2001 CERTIFICATES

Lease Payment Date*	Principal Component	Interest Component	Aggregate Lease Payment
6/1/13			
12/1/13			
6/1/14			
12/1/14			
6/1/15			
12/1/15			
6/1/16			
12/1/16			
6/1/17			
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6/1/23			
12/1/23			
6/1/24			
12/1/24			
6/1/25			
12/1/25			
6/1/26			
12/1/26			

* Lease Payment Dates are the Business Day immediately preceding each date listed in the schedule

SCHEDULE OF LEASE PAYMENTSRELATING TO THE 2003 CERTIFICATES

Lease Payment Date*	Principal Component	Interest Component	Aggregate Lease Payment
6/1/13			
12/1/13			
6/1/14			
12/1/14			
6/1/15			
12/1/15			
6/1/16			
12/1/16			
6/1/17			
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6/1/25			
12/1/25			
6/1/26			
12/1/26			
6/1/27			
12/1/27			
6/1/28			
12/1/28			

* Lease Payment Dates are the Business Day immediately preceding each date listed in the schedule

TO BE RECORDED AND WHEN RECORDED
RETURN TO:
Jones Hall, A Professional Law Corporation
650 California Street, 18th Floor
San Francisco, California 94108
Attention: Stephen G. Melikian, Esq.

THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this "**Agreement**"), dated for convenience as of January 1, 2013, is between the SAN LEANDRO FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "**Authority**"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "**Trustee**").

BACKGROUND:

1. The City previously caused execution and delivery of its (a) 2001 Certificates of Participation (Joint Project Area Financing) in the aggregate initial principal amount of $5,020,000 (the "**2001 Certificates**") for the purpose of financing certain capital projects within or benefit to the Joint Project Area of the Redevelopment Agency of the City of San Leandro and (b) 2003 Certificates of Participation (City Hall Refinancing Project) in the aggregate initial principal amount of $12,550,000 (the "**2003 Certificates**") for the purpose of refunding, on a current basis, the City of San Leandro Certificates of Participation (1993 Seismic Retrofit Financing Project), which were executed and delivered to finance improvements to the City Hall of the City and to refund, on an advance basis, the Parking Authority of the City of San Leandro 1982 Parking Lease Revenue Bonds, which were issued to finance certain parking improvements for the City.

2. The City is proceeding to refinance its outstanding 2001 Certificates and its outstanding 2003 Certificates (collectively, the "**Prior Certificates**").

3. To that end, the City has leased the real property constituting its City Hall, including land and improvements (the "**Leased Property**") as described in Appendix A attached hereto, to the Authority under a Site Lease dated as of January 1, 2013 (the "**Site Lease**"), in consideration of the payment by the Authority of an upfront rental payment (the "**Site Lease Payment**") which is sufficient to provide funds for the prepayment of the Prior Certificates.

4. The Authority has authorized the issuance of its San Leandro Public Financing Authority 2013 Refunding Lease Revenue Bonds in the aggregate principal amount of $_____ (the "**Bonds**") under this Indenture for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has leased the Leased Property back to the City under a Lease Agreement dated as of January 1, 2013 (the "**Lease**"), under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The Authority has requested the Trustee to enter into this Agreement for the purpose of assigning certain of its rights under the Lease to the Trustee for the benefit of the Bond owners.

A G R E E M E N T :

In consideration of the material covenants contained in this Agreement, the parties hereto hereby formally covenant, agree and bind themselves as follows:

SECTION 1. *Defined Terms*. All capitalized terms not otherwise defined herein have the respective meanings given those terms in the Indenture.

SECTION 2. *Assignment*. The Authority hereby assigns to the Trustee, for the benefit of the Owners of all Bonds which are issued and Outstanding under the Indenture, all of the Authority's rights under the Lease (excepting only the Authority's rights under Sections 4.5, 5.10, 7.3 and 8.4 of the Lease), including but not limited to:

(a) the right to receive and collect all of the Lease Payments from the City under the Lease;

(b) the right to receive and collect any proceeds of any insurance maintained thereunder with respect to the Leased Property, or any eminent domain award (or proceeds of sale under threat of eminent domain) paid with respect to the Leased Property; and

(c) the right to exercise such rights and remedies conferred on the Authority under the Lease as may be necessary or convenient (i) to enforce payment of the Lease Payments and any amounts required to be deposited in the Insurance and Condemnation Fund established under Section 5.07 of the Indenture, or (ii) otherwise to protect the interests of the Bond Owners in the event of a default by the City under the Lease.

The Trustee shall administer all of the rights assigned to it by the Authority under this Agreement in accordance with the provisions of the Indenture, for the benefit of the Owners of Bonds. The assignment made under this Section 2 is absolute and irrevocable, and without recourse to the Authority.

SECTION 3. *Acceptance*. The Trustee hereby accepts the assignments made herein for the purpose of securing the payments due under the Lease and Indenture to, and the rights under the Lease and Indenture of, the Owners of the Bonds, all subject to the provisions of the Indenture. The recitals contained herein are those of the Authority and not of the Trustee, and the Trustee assumes no responsibility for the correctness thereof.

SECTION 4. *Conditions.* This Agreement confers no rights and imposes no duties upon the Trustee beyond those expressly provided in the Indenture. The assignment hereunder to the Trustee is solely in its capacity as Trustee under the Indenture.

SECTION 5. *Execution in Counterparts*. This Agreement may be executed in any number of counterparts, each of which is an original and all together constitute one and the same agreement. Separate counterparts of this Agreement may be separately executed by the Trustee and the Authority, both with the same force and effect as though the same counterpart had been executed by the Trustee and the Authority.

SECTION 6. *Binding Effect*. This Agreement inures to the benefit of and binds the Authority and the Trustee, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 7. *Successor Trustee*. In the event that a successor Trustee is appointed pursuant to Section 8.02 of the Indenture or otherwise, this Agreement shall inure to the benefit of such successor Trustee, and shall no longer inure to the benefit of the Trustee that has resigned or been removed or otherwise replaced.

SECTION 8. *Governing Law*. This Agreement is governed by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officers as of the day and year first written above.

SAN LEANDRO PUBLIC FINANCING AUTHORITY

By _____
Chris Zapata
Executive Director

Attest:

_____
Marian Handa
Secretary

U.S. BANK NATIONAL ASSOCIATION, as *Trustee*

By _____
_____
Authorized Officer

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of San Leandro, County of Alameda, which is more particularly described as follows:

INDENTURE OF TRUST

Dated as of January 1, 2013

between

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

and the

SAN LEANDRO PUBLIC FINANCING AUTHORITY

Authorizing the Issuance of

$_____
San Leandro Public Financing Authority
2013 Refunding Lease Revenue Bonds

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INDENTURE OF TRUST

This INDENTURE OF TRUST (this "**Indenture**"), dated for convenience as of January 1, 2013, is between the SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "**Authority**"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the "**Trustee**").

B A C K G R O U N D :

1. The City has previously caused the execution and delivery of its (a) 2001 Certificates of Participation (Joint Project Area Financing) in the aggregate initial principal amount of $5,020,000 (the "**2001 Certificates**") for the purpose of financing certain capital projects within or benefit to the Joint Project Area of the Redevelopment Agency of the City of San Leandro and (b) 2003 Certificates of Participation (City Hall Refinancing Project) in the aggregate initial principal amount of $12,550,000 (the "**2003 Certificates**") for the purpose of refunding, on a current basis, the City of San Leandro Certificates of Participation (1993 Seismic Retrofit Financing Project), which were executed and delivered to finance improvements to the City Hall of the City and to refund, on an advance basis, the Parking Authority of the City of San Leandro 1982 Parking Lease Revenue Bonds, which were issued to finance certain parking improvements for the City.

2. The City is proceeding to refinance its outstanding 2001 Certificates and its outstanding 2003 Certificates (collectively, the "**Prior Certificates**").

3. To that end, the City has leased the real property constituting its City Hall, including land and improvements (the "**Leased Property**"), to the Authority under a Site Lease dated as of January 1, 2013 (the "**Site Lease**"), in consideration of the payment by the Authority of an upfront rental payment (the "**Site Lease Payment**") which is sufficient to provide funds for the prepayment of the Prior Certificates.

4. The Authority has authorized the issuance of its San Leandro Public Financing Authority 2013 Refunding Lease Revenue Bonds in the aggregate principal amount of $_____ (the "**Bonds**") under this Indenture for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has leased the Leased Property back to the City under a Lease Agreement dated as of January 1, 2013 (the "**Lease**"), under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

6. The lease payments made by the City under the Lease have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement, dated as of January 1, 2013, between the Authority as assignor and the Trustee as assignee.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

8. The Authority has found and determined, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions*. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in that Appendix when used in this Indenture.

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 Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

SECTION 2.01. *Authorization of Bonds*. The Authority has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of Bonds in the aggregate principal amount of $_____ under the Bond Law for the purposes of providing funds to pay the Site Lease Payment to the City and thereby provide funds to prepay the Prior Certificates. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds are designated the "San Leandro Public Financing Authority 2013 Refunding Lease Revenue Bonds."

SECTION 2.02. *Terms of the Bonds*.

(a) Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds shall mature on December 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (December 1)	Principal Amount	Interest Rate	Maturity Date (December 1)	Principal Amount	Interest Rate
			(T)		
			(T)		

(T) Term Bond

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

(a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,

(b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

(c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Transfer and Exchange of Bonds*.

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate

principal amount. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section 2.03, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.04. *Book-Entry System*.

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Authority and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal, interest and premium, if any,

under this Indenture. Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as

provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Registration Books*. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

SECTION 2.06. *Form and Execution of Bonds*. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chairman of the Authority shall execute, and the Secretary of the Authority shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.07. *Bonds Mutilated, Lost, Destroyed or Stolen*. If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall

be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.07, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Issuance of the Bonds*. At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Bonds to the Original Purchaser.

SECTION 3.02**.** *Application of Proceeds of Sale of Bonds; Transfer of Prior Funds.* Upon the receipt of payment for the Bonds in the amount of $_____ on the Closing Date, the Trustee shall deposit the proceeds thereofas follows:

(a) The Trustee shall deposit the amount of $_____ into the Costs of Issuance Fund.

(b) The Trustee shall transfer the amount of $_____, constituting the remainder of such proceeds and representing the full amount of the Site Lease Payment, to the Refunding Fund.

SECTION 3.03. *Establishment and Application of Costs of Issuance Fund*. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition of the Authority 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. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon. On May 2, 2013, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account and shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Establishment and Application of Refunding Fund*. The Trustee will establish, maintain and hold in trust the Refunding Fund, and the moneys in said fund will be disbursed and applied only as hereinafter authorized. Of the $_____ on deposit in the Refunding Fund, $_____ will be transferred to the 2001 Trustee to be used as provided in the 2001 Refunding Instructions and $_____ will be transferred to the 2003 Trustee to be used as provided in the

2003 Refunding Instructions. Once the Trustee has made such transfer, it shall close the Refunding Fund.

SECTION 3.05. *Validity of Bonds*. The recital contained in the Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. *Terms of Redemption*.

(a) Optional Redemption. The Bonds maturing on or before December 1, 202_, are not subject to optional redemption prior to their stated maturity. The Bonds maturing on or after December 1, 202_, are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on December 1, 202_, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Authority must give the Trustee written notice of its intention to redeem Bonds under this subsection (a), and the manner of selecting such Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with Section 4.03.

(b) Special Mandatory Redemption From Insurance or Condemnation Proceeds. The Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in Section 5.07, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

(c) Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following tables; *provided, however,* that if some but not all of the Term Bonds have been redeemed under subsections (a) or (b) of this Section, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Mandatory Sinking Fund Redemption of
Term Bonds Maturing December 1, 20__

Sinking Fund Redemption Date (December 1)	Principal Amount To Be Redeemed

(maturity)

Mandatory Sinking Fund Redemption of
Term Bonds Maturing December 1, 20__

Sinking Fund Redemption Date (December 1)	Principal Amount To Be Redeemed

(maturity)

SECTION 4.02. *Selection of Bonds for Redemption*. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate $5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

SECTION 4.03. *Notice of Redemption; Rescission*. The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board as provided in the Continuing Disclosure Certificate. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered to the Trustee. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of the redemption of Bonds under Section 4.01(a) by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

SECTION 4.04. *Partial Redemption of Bonds*. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

SECTION 4.05. *Effect of Redemption*. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. *Security for the Bonds; Bond Fund*.

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under Sections 4.5, 5.10, 7.3 and 8.4 thereof). The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under Article X, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

SECTION 5.02. *Allocation of Revenues*. On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including principal of any Term Bonds payable as a result of mandatory sinking fund redemption under Section 4.01(c).

SECTION 5.03. *Application of Interest Account*. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity), including principal of any Term Bonds payable as a result of mandatory sinking fund redemption under Section 4.01(c).

SECTION 5.04. *Application of Principal Account*. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

SECTION 5.05. *Reserved*.

SECTION 5.06. *Application of Redemption Fund*. The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received, in accordance with a Written Request of the Authority, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under Section 4.01, other than the principal of any Term Bonds payable as a result of mandatory sinking fund redemption under Section 4.01(c); *provided, however*, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed under a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds. The Trustee shall be entitled to conclusively rely on any Written Request of the Authority received under this Section 5.06, and shall be fully protected in relying thereon.

SECTION 5.07. *Insurance and Condemnation Fund*.

(a) Establishment of Fund. Upon the receipt of proceeds of insurance or eminent domain with respect to the Leased Property, the Trustee shall establish and maintain an Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section 5.07.

(b) Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction shall be paid to the Trustee under Section 6.3 of the Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds shall be promptly transferred by the

Trustee to the Redemption Fund and applied to the redemption of Bonds under Section 4.01(b). Notwithstanding the foregoing sentence, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance shall be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to redeem Outstanding Bonds equal in aggregate principal amount to the unpaid Lease Payments allocable to the Leased Property. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of a Written Request of the City which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund and has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City. The Trustee shall be entitled to conclusively rely on any Written Request or Written Certificate received under this subsection (b) of this Section 5.07 and in each case, shall be fully protected in relying thereon.

(c) Application of Eminent Domain Proceeds. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Authority shall deposit or cause to be deposited with the Trustee the Net Proceeds therefrom, which the Trustee shall deposit in the Insurance and Condemnation Fund under Section 6.2(b) of the Lease and which shall be applied and disbursed by the Trustee as follows:

(i) If the City has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds under Section 4.01(b).

(ii) If the City has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

In each case, the Trustee may conclusively rely upon any notice received under this subsection (c)(ii) of this Section and is protected in relying thereon.

(d) Reliance on Independent Advice. In making any such determination whether to repair, replace or rehabilitate the Leased Property under this Section 5.07, the City may obtain, but is not required to obtain, at its expense, the report of an

independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. The Trustee shall have no duty to review or examine such report. Any such determination by the City is final.

SECTION 5.08. *Investments*. All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority in a Written Request of the Authority filed with the Trustee at least 2 Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments which constitute money market funds; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the Authority specifying a specific money market fund and, if no such Written Request of the Authority is so received, the Trustee shall hold such moneys uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section 5.08.

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. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Trustee shall furnish the Authority periodic cash transaction statements which SHALL include detail for all investment transactions effected by the Trustee. Upon the Authority's election, such statements will be delivered via the Trustee providing the Authority with online access to the Trustee's system with respect to this Indenture and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 5.09. *Valuation and Disposition of Investments*.

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by

or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code; provided that the Authority shall inform the Trustee in writing which funds are subject to a yield restriction.

(c) For the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before July 15. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it is 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 any such Permitted Investment.

(d) For purposes of this Section 5.09, the term “Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment*. The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. *Extension of Payment of Bonds*. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this Section 6.02 limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. *Against Encumbrances*. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. *Power to Issue Bonds and Make Pledge and Assignment*. The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture and under the Assignment Agreement in the manner and to the extent provided in this Indenture and the Assignment Agreement. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever. The Authority shall take all actions necessary to assure the continued validity of the Bonds, including any actions that are necessary to maintain its existence.

SECTION 6.05. *Accounting Records*. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and

account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. *Limitation on Additional Obligations*. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 6.07. *Tax Covenants*.

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds 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 Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations 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 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds 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.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from amounts paid by the City for that purpose under Section 4.5(d) of the Lease. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

SECTION 6.08. *Enforcement of Lease*. The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Lease. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease.

SECTION 6.09. *Waiver of Laws*. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. *Further Assurances*. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. *Events of Default*. The following events constitute Events of Default hereunder:

(a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on the Bonds when due.

(c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; provided, however, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) The occurrence and continuation of an event of default under and as defined in the Lease.

SECTION 7.02. *Remedies Upon Event of Default*. If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be

incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

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

(a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under this Indenture;

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due,

whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

SECTION 7.04. *Trustee to Represent Bond Owners*. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.05. *Limitation on Bond Owners' Right to Sue*. Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Lease or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

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

SECTION 7.06. *Absolute Obligation of Authority*. Nothing herein or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. *Termination of Proceedings*. In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. *Remedies Not Exclusive*. No remedy herein conferred upon or reserved to the Trustee, to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. *No Waiver of Default*. No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

SECTION 7.10. *Notice to Bond Owners of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. *Appointment of Trustee.* U.S. Bank National Association is hereby appointed Trustee by the Authority 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 Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII, so long as any Bonds are Outstanding.

SECTION 8.02. *Acceptance of Trusts; Removal and Resignation of Trustee.* The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee. If an Event of Default has occurred (which has not been cured), the Trustee shall exercise such of the rights and powers vested in it by hereunder, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (d), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority, to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to the Leased Property held by such predecessor Trustee under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least $50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any

supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.03. *Merger or Consolidation*. Any bank, national banking association, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. *Liability of Trustee*.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Lease (including any right to receive moneys thereunder or the value of or title to the premises upon which the Leased Property is located), nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as 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 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it under the Assignment Agreement.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Lease or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Lease, other than the covenants of the City to make Lease Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights under the Lease to the Trustee under the Assignment Agreement.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease or this Indenture for the existence, furnishing or use of the Leased Property.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

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

(n) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail (provided, that for purposes of this Agreement, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder), facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(o) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include, but not be limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

SECTION 8.05. *Right to Rely on Documents*. The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying

thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems 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) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying 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 deem reasonable.

SECTION 8.06. *Preservation and Inspection of Documents*. All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. *Compensation and Indemnification*. The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Assignment Agreement or the Lease. As security for the performance of the obligations of the Authority under this Section 8.07 and the obligation of the Authority to make Additional Rental Payments to the Trustee, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section 8.07 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Lease.

ARTICLE IX

MODIFICATION OR AMENDMENT HEREOF

SECTION 9.01. *Amendments Permitted*.

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of

1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code; or

(v) to facilitate the issuance of additional obligations of the City under the Lease Agreement as provided in Section 7.5(b)(v) thereof.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 9.01.

SECTION 9.02. *Effect of Supplemental Indenture*. Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds 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 such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. *Endorsement of Bonds; Preparation of New Bonds*. Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond

Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

SECTION 9.04. *Amendment of Particular Bonds*. The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

ARTICLE X

DEFEASANCE

SECTION 10.01. *Discharge of Indenture*. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

(a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or

(c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

SECTION 10.02. *Discharge of Liability on Bonds*. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been

made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee, for cancellation by the Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. *Deposit of Money or Securities with Trustee*. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. *Unclaimed Funds*. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for 2 years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption

or by acceleration as provided in this Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. *Liability of Authority Limited to Revenues*. Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues, the Additional Rental Payments and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. *Limitation of Rights to Parties and Bond Owners*. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture 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 Authority, the Trustee, the City and the Owners of the Bonds.

SECTION 11.03. *Funds and Accounts*. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.04. *Waiver of Notice; Requirement of Mailed Notice*. Whenever in this Indenture 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 such 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. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.05. *Destruction of Bonds*. Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee shall destroy such Bonds as may be allowed by law and deliver a certificate of such destruction to the Authority.

SECTION 11.06. *Severability of Invalid Provisions*. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. *Notices*. All notices or communications to be given under this Indenture shall be given by first class 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 party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority or the City:	City of San Leandro 835 East 14th Street San Leandro, CA 95240 Attention: Finance Director Fax: (510) 577-3312
If to the Trustee:	U.S. Bank National Association Attn.: Global Corporate Trust Services One California Street, Suite 1000 San Francisco, CA 94111 Fax: 415-677-3768

SECTION 11.08. *Evidence of Rights of Bond Owners*. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this

Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. *Disqualified Bonds*. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority shall certify to the Trustee those Bonds disqualified under this Section 11.09, and the Trustee may conclusively rely on such certifications.

SECTION 11.10. *Money Held for Particular Bonds*. The money held by the Trustee for the payment of the interest, premium, if any, or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, *subject, however*, to the provisions of Section 10.04 but without any liability for interest thereon.

SECTION 11.11. *Waiver of Personal Liability*. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.12. *Successor Is Deemed Included in All References to Predecessor*. Whenever in this Indenture either the Authority, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.13. *Execution in Several Counterparts*. This Indenture 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, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. *Payment on Non-Business Day*. In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.15. *Governing Law*. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the SAN LEANDRO PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

SAN LEANDRO PUBLIC FINANCING AUTHORITY

By _____
Executive Director

Attest:

_____
Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

"Additional Rental Payments" means the amounts of additional rental which are payable by the City under Section 4.5 of the Lease or which are otherwise identified as Additional Rental Payments under the Lease.

"Agency" means the Redevelopment Agency of the City of San Leandro, a public body organized and existing under the laws of the State.

"Assignment Agreement" means the Assignment Agreement dated as of January 1, 2013, between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended.

"Authority" means the San Lenadro Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

"Authorized Representative" means: (a) with respect to the Authority, its Chairman, Vice Chairman, Executive Director, Treasurer, General Counsel or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, Vice Mayor, City Manager, Assistant City Manager, Finance Director or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its City Manager and filed with the Authority and the Trustee.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Fund" means the fund by that name established and held by the Trustee under Section 5.01.

"Bond Law" means Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code.

"Bond Year" means each twelve-month period extending from October 2 in one calendar year to December 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including January 1, 2013.

"Bonds" means the $_____ aggregate principal amount of San Leandro Public Financing Authority 2013 Refunding Lease Revenue Bonds authorized by and at any time Outstanding under this Indenture.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the City in which the Office of the Trustee is located.

"City" means the City of San Leandro, a municipal corporation organized and chartered city organized and existing under the Constitution and laws of the State of California.

"Closing Date" means the date of delivery of the Bonds to the Original Purchaser.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds and the refunding of the Prior Certificates, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and their respective counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the Prior Certificates.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events specified in Section 7.01.

"Excess Investment Earnings" means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee under Section 5.07.

"Interest Account" means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

"Interest Payment Date" means each June 1 and December 1, commencing June 1, 2013, so long as any Bonds remain unpaid.

"Lease" means the Lease Agreement dated as of January 1, 2013, between the Authority as lessor and the City as lessee of the Leased Property, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

"Lease Payment Date" means, with respect to any Interest Payment Date, the Business Day immediately preceding such Interest Payment Date.

"Lease Payments" means the amounts payable by the City under Section 4.3(a) of the Lease, including any prepayment thereof and including any amounts payable upon a delinquency in the payment thereof.

"Leased Property" means the real property described in Appendix A to the Lease, together with all improvements and facilities at any time situated thereon.

"Net Proceeds" means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

"Office" means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted, initially in Saint Paul, Minnesota.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a division of Stifel Nicolaus, as original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding", when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture.

"Owner", whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article V of the Lease; (b) the Site Lease, the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by [Stewart Title Guaranty Company]; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

"Permitted Investments" means any of the following:

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged.

(b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

(c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.

(d) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance

Corporation or secured at all times by collateral described in (a) or (b) above.

(e) Commercial paper rated "A-1+" or better by S&P.

(f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P.

(g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.

(h) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).

(i) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of $500,000,000, which obligations are rated A or better by S&P.

(j) Bonds or notes issued by any state or municipality which are rated A or better by S&P.

(k) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event either of such ratings at any time falls below A.

(l) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(m) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, provided the Trustee has access to, and control over withdrawals from and deposits to, such trust.

"Principal Account" means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

"Prior Certificates" means, collectively, the 2001 Certificates and the 2003 Certificates.

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established and held by the Trustee under Section 5.06.

"Registration Books" means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the Bonds.

"Reimbursement Agreement" means the Amended and Restated Reimbursement Agreement dated as of January 1, 2013 between the Successor Agency and the City.

"Reimbursement Payment" means the payment of Tax Increment Revenues, as defined in the Reimbursement Agreement, received by the City from the Successor Agency pursuant to the Reimbursement Agreement.

"Revenues" means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in Section 7.5(b)(v) of the Lease, and (ii) any Additional Rental Payments; and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in written notice filed with the Trustee.

"Site Lease" means the Site Lease dated as of January 1, 2013, between the City as lessor and the Authority as lessee, as amended from time to time in accordance with its terms.

"Site Lease Payment" means the amount of $_____ which is payable by the Authority to the City on the Closing Date under Section 3 of the Site Lease.

"S&P" means Standard & Poor's, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns.

"Successor Agency" means the Successor Agency to the Redevelopment Agency of the City of San Leandro, a public body organized and existing under the laws of the State.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Increment Revenues" shall have the meaning assigned to such term in the Reimbursement Agreement.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Term" means, with reference to the Lease, the time during which the Lease is in effect, as provided in Section 4.2 thereof.

"Term Bonds" means the Bonds maturing on December 1, 20__ and December 1, 20__.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

"2001 Certificates" means the outstanding 2001 Certificates of Participation (Joint Project Area Financing) originally executed and delivered in the aggregate principal amount of $5,020,000.

"2001 Refunding Instructions" means the Irrevocable Refunding Instructions dated as of January 1, 2013 given by the Authority and the City to U.S. Bank National Association, as 2001 Trustee.

"2001 Trustee" means U.S. Bank National Association, its successors and assigns, as successor trustee for the 2001 Certificates.

"2003 Certificates" means the outstanding 2003 Certificates of Participation (City Hall Refunding Project) originally executed and delivered in the aggregate principal amount of $12,550,000.

"2003 Refunding Instructions" means the Irrevocable Refunding Instructions dated as of January 1, 2013 given by the Authority and the City to U.S. Bank National Association, as 2003 Trustee.

"2003 Trustee" means U.S. Bank National Association, its successors and assigns, as trustee for the 2003 Certificates.

"Written Certificate," "Written Request" and "Written Requisition" of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized 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.

APPENDIX B

BOND FORM

NO. R-_____ ***$_____***

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

SAN LEANDRO PUBLIC FINANCING AUTHORITY

2013 REFUNDING LEASE REVENUE BOND

INTEREST RATE:	MATURITY DATE:	ORIGINAL ISSUE DATE:	CUSIP:
_____%	December 1, ____	January __, 2013	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** ***

The SAN LEANDRO PUBLIC FINANCING AUTHORITY, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before May 15, 2013, in which event it shall bear interest from the Original Issue Date specified above; *provided, however*, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on June 1 and December 1 in each year, commencing June 1, 2013 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office of U.S. Bank National Association, in St. Paul, Minnesota (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee mailed to the Registered

Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of San Leandro (the "City"), the County of Alameda, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "San Leandro Public Financing Authority 2013 Refunding Lease Revenue Bonds" (the "Bonds"), in an aggregate principal amount of $_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code, and under an Indenture of Trust dated as of January 1, 2013, between the Authority and the Trustee (the "Indenture") and a resolution of the Authority adopted on January 1, 2013, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to refinance certain outstanding Certificates of Participation of the City. This Bond and the interest and premium, if any, hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of lease payments made by the City under a Lease Agreement dated as of January 1, 2013, between the Authority as lessor and the City as lessee (the "Lease"). As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before December 1. 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or

after December 1, 20__, are subject to redemption in whole, or in part at the request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after December 1, 20__, from any available source of funds, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, without premium.

The Bonds are subject to redemption as a whole, or in part by lot, on any date, to the extent of any net proceeds of hazard or title insurance with respect to the property which has been leased under the Lease (the "Leased Property") or any portion thereof which are not used to repair or replace the Leased Property pursuant to the Lease, or to the extent of any net proceeds arising from the disposition of the Leased Property or any portion thereof in eminent domain proceedings which the City elects to be used for such purpose pursuant to the Lease, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on December 1, 20__ and December 1, 20__ ("Term Bonds") are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following tables; *provided, however,* that if some but not all of the Term Bonds have been redeemed as a result of an optional redemption or a special mandatory redemption, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Mandatory Sinking Fund Redemption of
Term Bonds Maturing December 1, 20__

Sinking Fund Redemption Date (December 1)	Principal Amount To Be Redeemed
(maturity)	

Mandatory Sinking Fund Redemption of
Term Bonds Maturing December 1, 20__

Sinking Fund Redemption Date (December 1)	Principal Amount To Be Redeemed
(maturity)	

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 30 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption. Notice of any optional redemption of the Bonds may be rescinded under the circumstances set forth in the Indenture, upon notice to the owners of such Bonds.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

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

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Ordinance and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Ordinance or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

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

IN WITNESS WHEREOF, the San Leandro Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile

signature of its Chair and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

SAN LEANDRO PUBLIC FINANCING AUTHORITY

By _____
Chair

Attest:

_____
Secretary

CERTIFICATE OF AUTHENTICATION

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

Dated:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

$_____
SAN LEANDRO PUBLIC FINANCING AUTHORITY
2013 REFUNDING LEASE REVENUE BONDS

PURCHASE CONTRACT

_____, 2013

San Leandro Public Financing Authority
835 East 14th Street
San Leandro, CA 95240

City of San Leandro
835 East 14th Street
San Leandro, CA 95240

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter") hereby offers to enter into this Purchase Contract with you, the City of San Leandro (the "City") and the San Leandro Public Financing Authority (the "Authority"), for the purchase by the Underwriter and the delivery by you of the Bonds specified below. The Bonds are being issued by the Authority for the purpose of (i) refinancing outstanding 2001 Certificates of Participation (Joint Project Area Financing) (the "2001 Certificates") and 2003 Certificates of Participation (City Hall Refinancing Project) (the "2003 Certificates" and together with the 2001 Certificates, the "Prior Obligations"), and (ii) paying the costs of issuing the Bonds. This offer is made subject to acceptance by you prior to 11:59 p.m., Los Angeles time, on the date hereof. Upon such acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter. All terms not defined herein shall have the meanings set forth in the Indenture (defined below).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell to the Underwriter, all (but not less than all) of the $_____ aggregate principal amount of the Authority's 2013 Refunding Lease Revenue Bonds (the "Bonds"), at the purchase price of $_____ (being the principal amount of the Bonds, less an Underwriter's discount in the amount of $_____, and plus net original issue premium of $_____).

The Bonds will be dated the date of delivery thereof, and will have the maturities and bear interest at the rates set forth on Exhibit A hereto. The Bonds will be subject to redemption as set forth in the Official Statement herein described. The Bonds will be issued in book-entry form only. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a

cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Contract.

2. Authorizing Instruments and Law. The Bonds shall be issued pursuant to the provisions of a resolution (the "Authority Resolution") adopted by the Authority authorizing the issuance of the Bonds, a resolution adopted by the City Council of the City (the "City Resolution") and the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code (the "JPA Act"). The Bonds are issued pursuant to an Indenture of Trust, dated as of January 1, 2013 (the "Indenture"), among the City, the Authority and U.S. Bank National Association (the "Trustee"), and shall be as described in the Indenture.

The Bonds are limited obligations of the Authority payable primarily from and secured by certain revenues (the "Revenues") consisting of certain Lease Payments to be paid by the City pursuant to a Lease Agreement (the "Lease"), dated as of January 1, 2013, between the City and the Authority, for certain real property and the improvements thereon (the "Leased Property"). The City will lease the Leased Property to the Authority pursuant to a Site Lease, dated as of January 1, 2013 (the "Site Lease"), between the City and the Authority.

3. Offering the Bonds. The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on the cover pages of the Official Statement of the Authority pertaining to the Bonds, dated _____, 2013 (the Official Statement, together with all appendices thereto, and with such changes therein and supplements thereto as are consented to in writing by the Underwriter, are herein called the "Official Statement"). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. "Public Offering" shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

The City and the Authority acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City, the Authority and the Underwriter, and that the Underwriter has financial and other interests that differ from those of the City and the Authority, (ii) in connection with such transaction the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the City or the Authority or any other person or entity and has not assumed a fiduciary responsibility in favor of the City or the Authority with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the City or the Authority on other matters), (iii) the only obligations the Underwriter has to the City and the Authority with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract, and (iv) the City and the Authority have consulted with their own legal and other professional advisors to the extent they deemed appropriate in connection with the offering of the Bonds. The City and the Authority acknowledge that they have previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB").

4. Delivery of Official Statement. The Authority shall deliver to the Underwriter two (2) copies of the Official Statement manually executed on behalf of the Authority and the City by authorized representatives. The Authority shall also deliver copies of the Official Statement in such quantities as the Underwriter may reasonably request in order to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The Authority shall deliver these copies to the Underwriter within seven (7) business days after the execution of this Purchase Contract and in sufficient time to accompany or precede any sales confirmation that requests payment from any customer of the Underwriter. The Underwriter shall inform the Authority in writing of the End Date, and covenants to file the Official Statement with the MSRB on a timely basis.

"End Date" as used herein is that date which is the earlier of:

(a) ninety (90) days after the end of the underwriting period, as defined in SEC Rule 15c2-12 originally adopted by the Securities and Exchange Commission on June 28, 1989, as amended ("Rule 15c2-12"); or

(b) the time when the Official Statement becomes available from the MSRB, but in no event less than twenty-five (25) days after the underwriting period (as defined in Rule 15c2-12) ends.

The Authority and the City have authorized the use of the Official Statement in connection with the public offering of the Bonds. The Authority and the City also have consented to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement dated _____, 2013, relating to the Bonds in connection with the public offering of the Bonds, (which, together with all appendices thereto, is collectively herein called the "Preliminary Official Statement"). Authorized officers of the City and the Authority have certified to the Underwriter that such Preliminary Official Statement was deemed to be final as of its date for purposes of Rule 15c2-12, with the exception of certain final pricing and related information referred to in Rule 15c2-12. The Underwriter has distributed a copy of each Preliminary Official Statement to potential customers on request.

5. The Closing. At 9:00 A.M., California time, on _____, 2013, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Authority, the City and the Underwriter, the Authority will deliver (i) the Bonds in book-entry form through the facilities of The Depository Trust Company ("DTC") in New York, New York, and (ii) the closing documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California, or another place to be mutually agreed upon by the Authority, the City and the Underwriter. The Underwriter will accept such delivery from the Authority. The Underwriter will pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer of immediately available funds. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the "Closing."

6. City Representations, Warranties and Covenants. The City represents, warrants and covenants to the Underwriter that:

(a) The City is a political subdivision of the State of California, duly organized and validly existing pursuant to the Constitution and laws of the State of California (the "State") and has all necessary power and authority to enter into and perform its duties under the Lease, the Site Lease, the Continuing Disclosure Certificate, dated _____, 2013 (the "Continuing Disclosure Certificate"), the Irrevocable Refunding Instructions relating to the 2001 Certificates, dated as of January 1, 2013 (the "2001 Escrow Instructions"), between the City, the Authority and the Trustee, as escrow agent, the Irrevocable Refunding Instructions relating to the 2003 Certificates, dated as of January 1, 2013 (the "2003 Escrow Instructions" and together with the 2001 Escrow Instructions, the "Escrow Instructions"), between the City, the Authority and the Trustee, as escrow agent, the Amended and Restated Reimbursement Agreement, dated as of January 1, 2013 (the "Reimbursement Agreement") between the City and the Successor Agency to the Redevelopment Agency of the City of San Leandro, the Termination Agreement relating to the 2001 Certificates, dated as of January 1, 2013 (the "2001 Termination Agreement"), by and among the City, the Authority and the Trustee, the Termination Agreement relating to the 2003 Certificates, dated as of January 1, 2013 (the "2003 Termination Agreement" and together with the 2001 Termination Agreement, the "Termination Agreements"), by and among the City, the Authority and the Trustee, the Official Statement and this Purchase Contract (collectively, the "City Documents").

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

(c) The City Documents have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against counties in the State .

(d) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification

by, any regulatory agency having jurisdiction over the City required for the execution and delivery of the Bonds or the consummation by the City of the other transactions contemplated by the Official Statement and this Purchase Contract.

(e) To the best of the knowledge of the City, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending (notice of which has been received by the City) or threatened against the City to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Lease, or in any way contesting or affecting the validity of the City Documents or the Bonds or the authority of the City to approve this Purchase Contract, or enter into the City Documents or contesting the powers of the City to enter into or perform its obligations under any of the foregoing or in any way contesting the powers of the City in connection with any action contemplated by this Purchase Contract or to restrain or enjoin the execution, sale and delivery of the Bonds or, except as described in the Preliminary Official Statement and the Official Statement, the payment of Lease Payments, nor is there any basis for any such action, suit, proceeding or investigation.

(f) The Preliminary Official Statement provided to the Underwriter has been deemed final by the City, as required by Rule 15c2-12. As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the City, the Bonds, the Leased Property and the City Documents contained in the Official Statement was and will be materially complete for its intended purposes. The information relating to the City, the Bonds, the Leased Property and the City Documents contained in the Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(g) The City agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the City will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign corporation in any jurisdiction where it is not so qualified.

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

(i) To the best knowledge of the City, it is not in breach of or default under any material applicable law or administrative regulation of the State or the United States or any material applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject and in

connection with which the City is obligated to make payments from its own funds, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument the consequence of which could materially and adversely affect the performance of the City under the City Documents.

(j) If between the date of this Purchase Contract and the End Date an event occurs, of which the City has knowledge, which might or would cause the information relating to the City, the Leased Property, or the City's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading in any material respect, the City will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the City.

(k) If the information relating to the Leased Property, the City, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading in any material respect.

(l) The City covenants that it will comply with all tax covenants relating to it in the City Documents, the Tax Certificate of the City and this Purchase Contract.

(m) The written information supplied by the City to Disclosure Counsel (as defined herein) or the Underwriter with respect to the financial information relating to the City and the Leased Property is true, correct and complete in all material respects for the purposes for which it was supplied.

(n) Substantially all the proceeds from the sale of the Bonds (after deducting the expenses of issuance and sale of the Bonds paid for from such proceeds) will be used to refinance the Prior Obligations, and the City will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture and the Lease, as amended from time to time.

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

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

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

(r) Between the date of this Purchase Contract and the date of Closing, the City will not, without the prior written consent of the Underwriter, and except as disclosed in the Official Statement, offer or issue any certificates, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, secured payable from the City's general fund.

(s) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that either the City or the Authority is a bond issuer whose arbitrage certifications may not be relied upon.

(t) The City, on behalf of itself and the Authority, will undertake, pursuant to the Continuing Disclosure Certificate, to provide or cause to be provided annual financial reports and notices of certain events; a description of this undertaking is set forth in the Official Statement. Except as disclosed in the Official Statement, the City has not failed to comply in all material respects with a continuing undertaking under Rule 15c2-12 during the previous five years.

(u) The financial statements of, and other financial information regarding the City in the Official Statement fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied.

7. Authority Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the City and the Underwriter that:

(a) The Authority is a joint powers authority, duly organized and existing under the Constitution (the "Constitution") and laws of the State, including the JPA Act, with full right, power and authority to enter into, execute and deliver the Authority Documents (defined below) and to perform its obligations hereunder.

(b) By all necessary official action, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Purchase Contract, the Bonds, the Indenture, the Site Lease, the Lease, the Assignment Agreement, dated as of January 1, 2013 (the "Assignment Agreement"), between the Trustee and the Authority, the Escrow Instructions, and the Termination Agreements (collectively, the "Authority Documents") and has approved the use by the Underwriter of the Preliminary Official Statement, and the Official Statement and, as of the date hereof, such

authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered by the parties hereto, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable upon the Authority in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors rights generally. The Authority has complied, and will at the Closing be in compliance in all respects, with the terms of the Authority Documents.

(c) The Bonds, when issued in accordance with the Indenture, will be legally valid and binding special obligations of the Authority, entitled to the benefits of the Indenture and enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

(d) As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Authority is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach, default or event could have an adverse effect on the Authority's ability to perform its obligations under the Authority Documents; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Authority Documents and compliance by the Authority with the provisions thereof do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument except as provided in the Authority Documents.

(e) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending (notice of which has been received by the Authority), or to the best knowledge of the Authority threatened against the Authority:

(i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices;

(ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Authority Documents or the consummation of the transactions on the part of the Authority contemplated thereby, or contesting the exclusion of the interest on the Bonds from federal or state taxation, as applicable, or contesting the powers of the Authority or its authority to enter into the Lease and to pledge the Revenues for repayment of the Bonds;

(iii) which may result in any material adverse change relating to the financial condition of the Authority;

(iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of all the circumstances under which they were made, not misleading; or

(v) challenging the ability of the Authority to sell the Bonds to the Underwriter.

(f) All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would adversely affect the due performance by the Authority of its obligations in connection with, the Authority Documents have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(g) Any certificate signed by any authorized officer of the Authority and delivered to the Underwriter shall be deemed to be a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(h) As of the time of acceptance hereof and as of the date of Closing, except as otherwise disclosed in the Official Statement, the Authority has complied with the filing requirements of the JPA Act.

(i) The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that either the City or the Authority is a bond issuer whose arbitrage certifications may not be relied upon.

(j) The Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement from the delivery of the Official Statement to the End Date, and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Authority will advise the

Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(k) For a period beginning on the date hereof and continuing until the End Date, (a) the Authority will not adopt any amendment of, or supplement to, the Official Statement to which the Underwriter shall object in writing or which shall be disapproved by the Underwriter's counsel and (b) if any event relating to or affecting the Authority shall occur as a result of which it is necessary, in the opinion of Underwriter's Counsel, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser of the Bonds, the Authority will forthwith cause the Authority to prepare and furnish to the Underwriter a reasonable number of copies of an amendment of, or supplement to, the Official Statement (in form and substance satisfactory to Underwriter's Counsel) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser of the Bonds, not misleading.

(l) The Authority is in compliance with all of its prior continuing disclosure undertakings entered into pursuant to Rule 15c2-12.

8. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the Authority and the City of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations hereunder are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the Authority and the City contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing:

(i) the City Documents and the Authority Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter;

(ii) there shall be in full force and effect such resolutions (the "Authorizing Resolutions") as, in the opinion of Jones Hall, A Professional Law Corporation ("Bond Counsel"), shall be necessary in connection with the transactions on the part of the Authority and the City contemplated by this Purchase Contract, the Official Statement, the City Documents and the Authority Documents;

(iii) the Authority shall perform or have performed its obligations required or specified in the Authority Documents to be performed at or prior to Closing;

(iv) the City shall perform or have performed its obligations required as specified in the City Documents to be performed at or prior to Closing; and

(v) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraph 6(j) or 7(k), or as otherwise may have been agreed to in writing by the Underwriter.

(c) No Default. At the time of the Closing, no default shall have occurred or be existing under the Authority Documents or the City Documents and neither the Authority nor the City shall be in default in the payment of principal or interest on any of its bonded indebtedness or other obligations payable from the City's general fund which default shall adversely impact the ability of the Authority to make payments on the Bonds or the City to make payments pursuant to the Lease.

(d) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the Authority and the City if at any time at or prior to the Closing the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, at the initial offering prices set forth in the Official Statement, shall have been materially adversely affected in the reasonable judgment of the Underwriter (evidenced by a written notice to the City and the Authority terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds) by reason of any of the following:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Authority Documents or the City Documents in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or state court or any ruling or regulation (final, temporary or proposed) or official

statement on behalf of the United States Treasury Department, the Internal Revenue Service or other Federal or State authority materially adversely affecting the Federal or State tax status of the Authority or the City, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the States or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, which restrictions materially adversely affect the Underwriter's ability to market the Bonds; or

(vi) a general banking moratorium shall have been established by federal or State authorities; or

(vii) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any escalation of current or other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States; or

(viii) the commencement of any action, suit or proceeding described in Paragraphs 6(e) or 7(e) hereof; or

(ix) there shall be in force a general suspension of trading on the New York Stock Exchange; or

(x) an event described in paragraph (j) of Section 6 or paragraph (k) of Section 7 hereof shall have occurred which, in the reasonable professional judgment of the

Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(xi) any rating or credit outlook of the Bonds or other obligations of the City by a national rating agency shall have been withdrawn or downgraded; or

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

(e) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(1) Bond Opinion. The approving opinion of Bond Counsel dated the date of the Closing and substantially in the form included as APPENDIX D to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion was addressed to them.

(2) Supplemental Opinion. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in substantially the form and to the following effect:

(a) The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE REFINANCING PLAN,' "THE BONDS," "SECURITY FOR THE BONDS" and "TAX MATTERS," and in APPENDICES C, D and E, in so far as such statements expressly purport to summarize certain provisions of the Bonds, the Indenture, the Lease and the final approving opinion of Bond Counsel described in (1) above, fairly and accurately summarize the information presented therein in all material respects; provided that Bond Counsel is not required to express any opinion with respect to any financial, statistical or numerical information contained therein;

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

(c) The Purchase Contract has been duly authorized, executed and delivered by the City and the Authority, and, assuming due authorization, execution and delivery by the Underwriter, constitutes a legal, valid and binding agreement of the City and the Authority enforceable against each in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy,

insolvency, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies, and except as the enforceability of the indemnification or waiver provisions may be limited by applicable securities laws or public policy; and

(d) the City has taken all actions required to defease the Prior Obligations and such Prior Obligations are no longer outstanding.

(3) City Attorney Opinion. An opinion of the City Attorney, dated as of the Closing and addressed to Bond Counsel and the Underwriter, in form and substance acceptable to Bond Counsel and counsel for the Underwriter, to the following effect:

(i) The City is a political subdivision of the State of California duly organized and validly existing under the Constitution and the laws of the State of California.

(ii) the City Resolution approving and authorizing the execution and delivery of the City Documents and approving the Official Statement was duly adopted at a meeting of the City Council of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

(iii) Except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the City, which would materially and adversely impact the City's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under the Lease or in any way contesting or affecting the validity of the City Documents, the City Resolution or the Bonds or the transactions relating to the Leased Property as described and defined in the Official Statement.

(iv) The execution and delivery of the City Documents, the adoption of the City Resolution and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject.

(v) The City Documents have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles if

equitable remedies are sought and by the limitations on legal remedies imposed on actions against counties in the State of California.

(vi) No authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California, other than the City Council of the City, is required for the valid authorization, execution and delivery of the City Documents and the approval of the Official Statement.

(vii) Based upon examinations which the City Attorney has made and discussions in conferences with certain officials of the City and others with respect to the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices attached thereto), nothing has come to the City Attorney's attention which would lead the City Attorney to believe that the Official Statement (other than financial and statistical data therein and incorporated therein by reference and DTC and its book-entry system, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) Authority Counsel Opinion. An opinion of Counsel to the Authority, dated the date of the Closing and addressed to the Authority, the City and the Underwriter, in form and substance acceptable to counsel for the Underwriter substantially to the following effect:

(i) The Authority is a joint powers authority, duly created and lawfully existing under the laws and the Constitution of the State;

(ii) The Authority has full legal power and lawful authority to enter into the Authority Documents;

(iii) The Authority Resolution approving and authorizing the execution and delivery of the Authority Documents has been duly adopted at a meeting of the governing board of the Authority, which was called and held pursuant to the law and with all public notice required by law and at which a quorum was present and acting throughout and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded;

(iv) The Authority Documents have been duly authorized, executed and delivered by the Authority and, and, assuming due authorization, execution and delivery by the other parties thereto, constitute the valid, legal and binding agreements of the Authority enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors rights and by the application of equitable principles if equitable remedies are sought;

(v) The Official Statement has been duly authorized by the governing body of the Authority and executed on its behalf by an authorized officer of the Authority.

(vi) Except as otherwise disclosed in the Official Statement, to the best of such counsel's knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, governmental agency or body, pending (notice of which has been received by the Authority) or threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents or seeking to restrain or enjoin any of the transactions referred to herein or contemplated hereby or contesting the authority of the Authority to enter into or perform its obligations under the Authority Documents, or which, in any manner, questions the right of the Authority to issue and sell the Bonds.

(5) Trustee Counsel Opinion. The opinion of counsel to the Trustee, dated the date of the Closing, addressed to Bond Counsel, the City, the Authority and the Underwriter, in form and substance acceptable to counsel for the Underwriter substantially to the following effect:

(i) The Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America, with trust powers, and has the corporate power and authority to carry on its business as presently conducted.

(ii) The Trustee has full power and authority to serve as Trustee as contemplated in the Indenture.

(iii) The Indenture, the Assignment Agreement and the Escrow Instructions have been duly authorized, executed and delivered by the Trustee, and constitute the legal, valid and binding obligation of the Trustee, enforceable against it in accordance with the respective terms thereof, subject to applicable bankruptcy, insolvency, moratorium, reorganization, arrangement and other similar laws affecting the rights of creditors (including creditors of national banks) generally or by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and the effect of judicial decisions which have held that certain provisions are unenforceable where their enforcement would violate the implied covenant of good faith and fair dealing, or would be commercially unreasonable and the effect of judicial decisions permitting the introduction of extrinsic evidence to modify the terms or the interpretation of the Indenture.

(iv) To the knowledge of such counsel, the execution, delivery, acceptance and performance of the Indenture, the Assignment Agreement and the Escrow Instructions by the Trustee and its acceptance and performance of its duties and obligations thereunder will not violate any provisions of any law or regulation governing the banking or trust powers of the Trustee or any order of any governmental authority having jurisdiction over the Trustee.

(v) To the knowledge of such counsel, no authorization, approval, consent or other order of any governmental agency or regulatory authority having jurisdiction over the trust powers of the Trustee that has not been obtained is required for the authorization, execution and delivery by the Trustee of the Indenture, the Assignment Agreement and the Escrow Instructions or its acceptance and performance of the duties and obligations thereunder.

(vi) The execution, delivery and performance of the Indenture, the Assignment Agreement and the Escrow Instructions by the Trustee and the consummation of the transactions contemplated thereby do not and will not (a) to the knowledge of such counsel conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Trustee is a party or by which the Trustee is bound or to which any of the property or assets of the Trustee or any of its subsidiaries is subject, (b) result in any violation of the provisions of the Articles of Association, By-laws, or applicable resolutions of the Trustee, or (c) to the knowledge of such counsel result in any violation of any statute, order, rule or regulation of any court or government agency or body having jurisdiction over the Trustee or any of its properties or assets.

(vii) To the knowledge of such counsel, there are no actions, proceedings or investigations pending or threatened against the Trustee before any court, administrative agency or tribunal (a) asserting the invalidity of the Indenture, the Assignment Agreement or the Escrow Instructions, (b) seeking to prevent the consummation of any of the transactions contemplated thereby, or (c) that might materially and adversely affect the performance by the Trustee of its obligations under, or the validity or enforceability of the Indenture, the Assignment Agreement or the Escrow Instructions.

(6) Disclosure Counsel Opinion. An opinion, dated the date of the Closing addressed to the Authority and the Underwriter, of Jones Hall, A Professional Law Corporation, disclosure counsel, to the effect that based upon their participation in the preparation of the Official Statement as Disclosure Counsel to the Authority and without having undertaken to determine independently the accuracy or completeness of the contents in the Official Statement, such counsel has no reason to believe that the Official Statement, as of its date and as of the Closing Date (except for the financial statements and the other financial and statistical data included therein and the information included therein relating to The Depository Trust Company and the book-entry system, and contained in the Appendices thereto as to all of which no opinion or belief need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(7) Underwriter's Counsel Opinion. An opinion, dated the date of the Closing addressed to the Underwriter, of Nossaman LLP, counsel to the Underwriter, in such form as may be acceptable to the Underwriter.

(8) City Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the City satisfactory in form and substance to the Underwriter, (a) confirming as of such date the representations and warranties of the City contained in this Purchase Contract; (b) certifying that the City has complied with all agreements, covenants and conditions to be complied with by the City at or prior to the Closing under the City Documents; (c) certifying that to the best of such official's knowledge, no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and (d) certifying that the City has authorized and consented to the inclusion in the Official Statement of the City's financial report and accountant's opinion for the year ended June 30, 2012, and no further consent of any party is required for such inclusion.

(9) Authority Certificate. A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by the Chairman or other duly authorized officer of the Authority to the effect that (i) the representations, warranties and covenants of the Authority contained herein and in the Authority Documents are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Authority has complied with all of the terms and conditions of the Authority Documents required to be complied with by the Authority at or prior to the date of Closing; and (ii) to the best of such official's knowledge, no event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(10) Trustee's Certificate. A Certificate of the Trustee, dated the date of Closing, in form and substance acceptable to counsel for the Underwriter to the effect that (i) the Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept and perform its duties under the Indenture, the Assignment Agreement and the Escrow Instructions; (ii) subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Bonds to the purposes specified in the Indenture, the Assignment Agreement and the Escrow Instructions; and (iii) the Trustee has duly authorized and executed the Indenture, the Assignment Agreement and the Escrow Instructions.

(11) Financial Advisor Certificates. A certificate of Public Financial Management, Inc., as Financial Advisor to the City, dated the Closing Date, to the effect that while the Financial Advisor has not independently verified or undertaken an independent investigation of the information in the Preliminary Official Statement and the Official Statement, based on its participation in the preparation and review of the Preliminary Official Statement and Official Statement, no information has come to its attention which would lead it to believe that the information contained in the Preliminary Official Statement and Official Statement is as of the date of delivery of the Bonds, not true or correct in all material respects, or that the Preliminary Official Statement and the Official Statement contains any untrue statement of a

material fact or omits to state a material fact where necessary to make a statement not misleading in light of the circumstances under which it was made.

(12) Certificate Regarding Continuing Disclosure Compliance. A certificate of the _____, describing compliance with continuing disclosure undertakings of the City during the past 5 years, and a certificate from the City that, based on the findings of _____, it has filed all missing reports and audits and is in compliance with the requirements of Rule 15c2-12 as of the Closing Date.

(13) Title Policy. A copy of a CLTA title insurance policy in an amount equal to the principal amount of the Bonds, insuring the City's leasehold interest in the Leased Property, subject only to Permitted Encumbrances (as defined in the Lease) or such other encumbrances approved in writing by the Underwriter.

(14) Verification Report. A copy of the verification report of Causey Demgen Moore P.C., concluding that the amounts on deposit under the Escrow Instructions, together with interest thereon, are sufficient to defease the Prior Obligations.

(15) Transcripts. Two transcripts of all proceedings relating to the authorization and issuance of the Bonds.

(16) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the City and the Authority by a duly authorized officer of each.

(17) Documents. An original executed copy of each of the Authority Documents, the City Documents and the Joint Exercise of Powers Agreement, dated [May 24, 1993], and between the City and the Redevelopment Agency of the City of San Leandro.

(18) City Resolution. Two copies certified by the Secretary or Assistant Secretary of the City, of each resolution of the City relating to the City Documents, the actions contemplated thereby, provided that such resolutions may be contained in the transcripts.

(19) Authority Resolution. Two copies certified by the Secretary or Assistant Secretary of the Authority, of each resolution of the Authority relating to the Authority Documents, the Bonds and the transactions contemplated thereby, provided that such resolutions may be contained in the transcripts.

(20) IRS Form 8038-G. Evidence that the federal tax information form 8038-G has been prepared for filing.

(21) Tax Certificate. A tax and nonarbitrage certificate in form satisfactory to Bond Counsel.

(22) Ratings. Evidence as of the Closing satisfactory to the Underwriter that the Bonds have received, at a minimum, a rating of "__" from Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. , and that such rating has not been revoked or downgraded.

(232) CDIAC Statement. A copy of the Notice of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code.

(24) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter and Bond Counsel may reasonably deem necessary.

If the Authority or the City shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be terminated by the Underwriter, and none of the Underwriter, the Authority or the City shall be under further obligation hereunder.

9. [Reserved].

10. Expenses. Except as otherwise provided in this Section, the Underwriter shall be under no obligation to pay, and the Authority or the City shall pay or cause to be paid, the expenses incident to the performance of the obligations of the Authority and the City hereunder including but not limited to:

(a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the City Documents and the Authority Documents and the cost of preparing, printing, issuing and delivering the Bonds;

(b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the Authority or the City;

(c) the fees and disbursements of Bond Counsel and Disclosure Counsel;

(d) the cost of preparation and printing the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including a reasonable number of copies thereof for distribution by the Underwriter;

(e) charges of rating agencies for the rating of the Bonds; and

(f) the expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including any advertising expenses.

The Underwriter shall pay all expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds including, but not limited to: (i) the fees and

disbursements of Underwriter's counsel; and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds (including other expenses, fees of the California Debt and Investment Advisory Commission, CUSIP Service Bureau fees and any other fees and expenses), except as otherwise provided in the preceding paragraph or otherwise agreed to by the Underwriter, the Authority and the City in writing.

11. Notice. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, One Ferry Building, San Francisco, CA 94111. Any notice or other communication to be given to the Authority or the City pursuant to this Purchase Contract may be given by delivering the same in writing to such entity, at the addresses set forth on the cover page hereof.

12. Entire Agreement. This Purchase Contract, when accepted by the Authority and the City, shall constitute the entire agreement among the Authority, the City and the Underwriter and is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of any Underwriter). Except as provided in Section 16 below, no other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the Authority's and the City's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Purchase Contract.

13. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. State of California Law Governs. The validity, interpretation and performance of the Authority Documents shall be governed by the laws of the State.

16. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter, the Authority or the City without the prior written consent of the other parties hereto.

17. Definitions. Terms not otherwise defined herein shall have the same meaning an when used in the Indenture.

STIFEL, NICOLAUS & COMPANY, INCORPORATED, DBA STONE & YOUNGBERG, A DIVISION OF STIFEL NICOLAUS

By: _____
Title: _____

Accepted as of the date first stated above:

SAN LEANDRO PUBLIC FINANCING AUTHORITY

By: _____
Title: _____

CITY OF SAN LEANDRO

By: _____
Title: _____
Time of Execution: _____

EXHIBIT A

Maturity Date (December 1 of)	Principal Amount	Interest Rate	Yield
2013	$	%	%
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			

* Yield to first optional redemption date of December 1, 20__.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

NEW ISSUE - FULL BOOK-ENTRY **RATINGS: Standard & Poor's: "__"**
See "Ratings".

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is required to be taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$_____*

SAN LEANDRO PUBLIC FINANCING AUTHORITY
2013 REFUNDING LEASE REVENUE BONDS

Dated: Date of Delivery **Due: December 1, as shown on inside cover**

Authority for Issuance. The 2013 Refunding Lease Revenue Bonds (the "Bonds") are being issued by the San Leandro Public Financing Authority (the "Authority") under a resolution adopted by the Authority on _____, 2012 and a resolution adopted by the City Council of the City of San Leandro (the "City) on _____, 2012, and an Indenture of Trust dated as of January 1, 2013 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee for the Bonds (the "Trustee"). See "THE BONDS - Authority for Issuance."

Use of Proceeds. The proceeds of the Bonds will be used to (i) refinance outstanding 2001 Certificates of Participation (Joint Project Area Financing) (the "2001 Certificates") and 2003 Certificates of Participation (City Hall Refinancing Project) (the "2003 Certificates) of the City, together with related lease payment obligations, and (ii) pay the costs of issuing the Bonds. See "REFINANCING PLAN."

Security for the Bonds. Under the Indenture, the Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of lease payments ("Lease Payments") to be made by the City pursuant to a lease agreement dated as of January 1, 2013 (the "Lease"), by and between the Authority and the City, for the leasing of certain real property (the "Leased Property"). Under the Lease, the City covenants to take such action as necessary to include the Lease Payments in its annual budgets and to make all necessary appropriations for such Lease Payments (subject to abatement under certain circumstances as described in this Official Statement). On the occurrence of an Event of Default under the Lease, the Trustee (as the Authority's assignee pursuant to an Assignment Agreement dated as of January 1, 2013 by and between the Authority and the Trustee) may terminate the Lease and may recover rent and other monetary charges as they become due, but may NOT terminate the City's right to possession of the Leased Property. See "SECURITY FOR THE BONDS – Remedies" and "BOND OWNERS RISKS – Default."

Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Lease Payments or for the Bonds. See "SECURITY FOR THE BONDS."

Bond Terms; Book-Entry Only. The Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on June 1 and December 1 (each, an "Interest Payment Date"), commencing June 1, 2013, and will be issued in fully-registered form without coupons in the denomination of $5,000 or any integral multiple of $5,000. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). With respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date shall be its respective "Record Date." Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS - General Provisions."

Redemption. **The Bonds are subject to redemption prior to maturity. See "THE BONDS - Redemption."**

THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. NONE OF THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE BONDS, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. SEE "SECURITY FOR THE BONDS."

CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY IS CONTAINED IN APPENDIX A - "CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" AND APPENDIX B - "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012." EACH CONTAINS IMPORTANT INFORMATION CONCERNING THE CITY AND SHOULD BE READ IN ITS ENTIRETY. APPENDIX A DESCRIBES CERTAIN FACTORS THAT HAVE AFFECTED THE CITY'S FINANCIAL CONDITION IN THE PAST AND THAT COULD MATERIALLY AFFECT THE FINANCIAL CONDITION OF THE CITY IN FUTURE FISCAL YEARS AND THE CITY'S ABILITY TO MAKE LEASE PAYMENTS.

MATURITY SCHEDULE
(see inside cover)

The following firm, serving as "**Financial Advisor**," has assisted in the structuring of this issue:

[PFM LOGO]

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. 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.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about January __, 2013.

STONE & YOUNGBERG
A DIVISION OF STIFEL NICOLAUS

The date of this Official Statement is: January __, 2013.

MATURITY SCHEDULE*
(Base CUSIP†: _____)

Maturity (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					

† Copyright 2013, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City, the Authority nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

* Preliminary, subject to change.

SAN LEANDRO PUBLIC FINANCING AUTHORITY
CITY OF SAN LEANDRO

AUTHORITY BOARD/CITY COUNCIL

Stephen H. Cassidy, Mayor/Chair
Michael J. Gregory, Vice Mayor/Vice-Chair
Ursula Reed, Councilmember/ Member
Diana M. Souza, Councilmember/Member
Tom Dlugosh, Councilmember/Member
Pauline Russo Cutter, Councilmember/Member
Jim Proula, Councilmember/Member

AUTHORITY/CITY OFFICIALS

Chris Zapata, City Manager/Executive Director
David Baum, Finance Director/Treasurer
Carla Rodriguez, Deputy Finance Director
Marian Handa, City Clerk/Secretary
Jayne Williams, City Attorney/Authority Counsel

BOND COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Public Financial Management, Inc.
San Francisco, California

VERIFICATION AGENT

[TO COME]

TRUSTEE

U.S. Bank National Association
San Francisco, California

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

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the Authority and the City and from other sources that the Authority and the City believe to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. All summaries of the Resolution 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 City for further information in connection therewith.

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

In connection with the offering of the Bonds, the Underwriter may overallot or effect transactions that stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Bonds have not been registered or qualified under the securities laws of any state.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information in APPENDIX A – "CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that 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. Neither the Authority nor the City plans 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.

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

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OFFICIAL STATEMENT

$_____*

SAN LEANDRO PUBLIC FINANCING AUTHORITY
2013 REFUNDING LEASE REVENUE BONDS

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Authority for Issuance. The San Leandro Public Financing Authority (the "Authority") is issuing its 2013 Refunding Lease Revenue Bonds (the "Bonds") under the following legal authority:

(a) Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"),

(b) a resolution adopted by the Board of Directors (the "Board") of the Authority on _____, 2012 (the "Authority Resolution"), and a resolution adopted by the City Council (the "City Council") of the City of San Leandro (the "City") on _____, 2012 (the "City Resolution"), and

(c) an Indenture of Trust (the "Indenture"), dated as of January 1, 2013, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

Form of Bonds; Book-Entry Only. The Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See "THE BONDS - Book-Entry Only System" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purpose of the Bonds. The Bonds are being issued to provide funds to refinance (i) $3,440,000 outstanding principal amount of 2001 Certificates of Participation (Joint Project Area Financing) (the "2001 Certificates") and $9,490,000 outstanding principal amount of 2003 Certificates of Participation (City Hall Refinancing Project) (the "2003 Certificates," and, together with the 2001 Certificates, the "Refunded Certificates") of the City, together with related lease payment obligations, and (ii) pay the costs of issuing the Bonds.

Security for the Bonds and Pledge of Revenues. The Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture. Revenues consist

* Preliminary, subject to change.

primarily of Lease Payments to be made by the City pursuant to a Lease Agreement, dated as of January 1, 2013, between the City and the Authority (the "Lease"). See "THE LEASED PROPERTY." Under the Lease, the City covenants to take such action as necessary to include the Lease Payments in its annual budgets and to make all necessary appropriations for such Lease Payments (subject to abatement under certain circumstances described in the Lease). See "SECURITY FOR THE BONDS."

The City's 2012 audited General Fund revenues totaled $_____. Maximum annual debt service for the Bonds is expected to be approximately $_____. Annually, Lease Payments are expected to constitute ___ percent of 2012 audited General Fund revenues. See APPENDIX A - "CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" and APPENDIX B - "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

The scheduled Lease Payments payable by the City under the Lease are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due. However, in the event of any damage or destruction such that there is substantial interference with the use and occupancy of all or any portion of the Leased Property, or a temporary taking of the Leased Property or a permanent taking of a portion of the Leased Property, Lease Payments may be abated under the Lease without constituting a default. See "SECURITY FOR THE BONDS – Abatement" and "RISK FACTORS – Abatement." However, proceeds of insurance may be available to pay Lease Payments in the event of insured damage, destruction or condemnation with respect to the Leased Property. Additionally, the Successor Agency to the Redevelopment Agency of the City of San Leandro (the "Successor Agency"), as successor to the Redevelopment Agency of the City of San Leandro (the "Redevelopment Agency"), has agreed to reimburse the City for the portion of the Lease Payments relating to the prepayment of the 2001 Certificates from Tax Increment Revenues and such obligation to reimburse is not subject to abatement. See "SECURITY FOR THE BONDS – Reimbursement Payments" below.

Pursuant to an Assignment Agreement, dated as of January 1, 2013 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority has assigned to the Trustee for the benefit of the Owners of the Bonds, certain of the Authority's rights under the Lease, including its rights to receive Lease Payments and to enforce remedies in the event of a default by the City for the purpose of securing the payment of debt service on the Bonds.

No Reserve Account. Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Lease Payments or for the Bonds.

Additional Obligations. The City has existing obligations payable from the General Fund of the City (the "General Fund"), and the City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Bonds. See "APPENDIX A - CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION- General Fund Obligations." Under the Indenture, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred by the Authority which are payable out of the Revenues in whole or in part.

Redemption. The Bonds are subject to redemption prior to their stated maturity dates. See "THE BONDS - Redemption."

Abatement. The Lease provides that, except to the extent of proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority, amounts in the Bond Fund available to pay Lease Payments which would otherwise be abated, or Reimbursement Payments made by the Successor Agency to the City, the obligation of the City to pay Lease Payments will be subject to abatement by reason of (i) any damage or destruction such that there is substantial interference with the use and occupancy of all or any portion of the Leased Property, or (ii) a temporary taking of the Leased Property or a permanent taking of a portion of the Leased Property. See "SECURITY FOR THE BONDS – Abatement," "SECURITY FOR THE BONDS – Reimbursement Payments" and "RISK FACTORS - Abatement."

Risks of Investment. The Bonds are repayable primarily from Lease Payments and other amounts payable by the City under the Lease. For a discussion of some of the risks associated with the purchase of the Bonds, see "RISK FACTORS."

Specifically, all California redevelopment agencies, including the Redevelopment Agency, were dissolved as of February 1, 2012 pursuant to ABx1 26. According to "trailer bill" legislation (AB 1484) effective on July 1, 2012, the State Department of Finance and the State Controller may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by ABx1 26 and AB 1484, and, if funds are not returned within 60 days, the funds may be recovered through an offset of sales and use tax or property tax allocations to the local agency, which, in the case of the Redevelopment Agency, is the City. See "RISK FACTORS - Redevelopment Agencies Dissolution."

THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. NONE OF THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE BONDS, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. See "SECURITY FOR THE BONDS."

THE REFINANCING PLAN

The Bonds are being issued to provide funds to (i) refinance the Refunded Certificates and the City's related lease payment obligations, and (ii) pay the costs of issuing the Bonds.

The 2001 Certificates were executed and delivered for the purposes of (i) financing certain capital projects within or benefit to the City portion of the Alameda County – City of San Leandro Redevelopment Project Area, (ii) funding a reserve fund for the 2001 Certificates and (iii) paying the costs of executing and delivering the 2001 Certificates. The 2003 Certificates were executed and delivered for the purposes of (i) refunding, on a current basis, the City of San Leandro Certificates of Participation (1993 Seismic Retrofit Financing Project) (the "1993 Certificates"), which were executed and delivered to finance improvements to the City Hall of the City and to refund, on an advance basis, the Parking Authority of the City of San Leandro 1982 Parking Lease Revenue Bonds,

which were issued to finance certain parking improvements for the City, (ii) financing the replacement of a City swimming pool and other improvements at an aquatics complex, (iii) funding a reserve fund for the 2003 Certificates and (iv) paying the costs of executing and delivering the 2003 Certificates.

The outstanding 2001 Certificates consist of the following:

2001 CERTIFICATES OF PARTICIPATION
(JOINT PROJECT AREA FINANCING)
(Base CUSIP† Number: 798432)

Maturity Date (December 1)	Principal Amount	CUSIP‡	Prepayment Date*
2013	$180,000	BU3	January __, 2013
2014	185,000	BV1	January __, 2013
2015	195,000	BW9	January __, 2013
2016	205,000	BX7	January __, 2013
2017	210,000	BY5	January __, 2013
2026	2,465,000	CH1	January __, 2013

The outstanding 2003 Certificates consist of the following:

2003 CERTIFICATES OF PARTICIPATION
(CITY HALL REFINANCING PROJECT)
(Base CUSIP† Number: 798432)

Maturity Date (December 1)	Principal Amount	CUSIP‡	Prepayment Date
2013*	$400,000	CT5	6/1/2013
2014	420,000	CU2	6/1/2013
2015	440,000	CV0	6/1/2013
2016	465,000	CW8	6/1/2013
2017	490,000	CX6	6/1/2013
2018	510,000	CY4	6/1/2013
2019	540,000	CZ1	6/1/2013
2020	565,000	DA5	6/1/2013
2024	2,555,000	DB3	6/1/2013
2028	3,105,000	DC1	6/1/2013

* To be paid at maturity.

Upon the issuance of the Bonds, a portion of the proceeds thereof and other available moneys with respect to the Refunded Certificates shall be applied to the purchase of certain direct obligations of the United States of America which, along with uninvested cash and earnings on the obligations, will satisfy the City's payment obligations with respect to the Refunded Certificates until their payment or prepayment dates. These direct obligations and cash shall be deposited with U.S. Bank National Association, as trustee for the Refunded Certificates (the "Refunded Certificates Trustee").

† CUSIP® is a registered trademark of the American Bankers Association. Copyright© 2012 Standard & Poor's, a Division of the McGraw Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the City, the Authority nor the Underwriters take any responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

The Refunded Certificates Trustee will apply the principal of and interest on such obligations, together with other moneys held by it to the payment or prepayment of the Refunded Certificates on their respective payment or prepayment dates set forth in the table above.

The obligations of the United States of America so deposited with the Refunded Certificates Trustee will bear interest at such rates and will be scheduled to mature at such times and in such amounts that, when paid in accordance with their terms, together with any other funds held by the Refunded Certificates Trustee, will be sufficient to make full and timely payment of the principal of and interest evidenced and represented by the Refunded Certificates prior to their respective scheduled payment or prepayment dates and to pay the prepayment price of the outstanding Refunded Certificates on such prepayment dates. The prepayment price for the 2001 Certificates is the principal amount thereof plus accrued and unpaid interest to the date of prepayment. The prepayment price for the 2003 Certificates is the principal amount thereof plus accrued and unpaid interest to the date of prepayment, plus a redemption premium equal to 1% of the principal amount called for prepayment. For information on mathematical verification for the sufficiency of scheduled payments with respect to such obligations of the United States of America and other funds held by the Refunded Certificates Trustee to make such payments with respect to the Refunded Certificates, see "VERIFICATION OF MATHEMATICAL COMPUTATIONS." Upon such irrevocable deposit with the Refunded Certificates Trustee and the receipt by the Refunded Certificates Trustee of irrevocable instructions from the Authority and the City, the Refunded Certificates will be prepaid and the owners of the Refunded Certificates will no longer be entitled to the benefits of the legal documents under which they were executed and delivered.

The amounts held and invested by the Refunded Certificates Trustee are pledged solely to the payment of the Refunded Certificates. Neither the funds so-deposited with the Refunded Certificates Trustee nor the interest on such invested funds will be available for the payment of debt service on the Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Bonds and the Refunded Certificates are as follows:

SOURCES:	
Principal Amount	$
Less Underwriter's Discount	
Plus Available Money Relating to the Refunded Certificates	
Total Sources	$
USES:	
Refunding Fund	
Costs of Issuance [1]	
Total Uses	$

[1] Represents funds to be used to pay Costs of Issuance, which include legal fees, printing costs, rating agency fees, verification agent fees, trustee's fee, title insurance costs and other miscellaneous expenses.

THE LEASED PROPERTY

Lease Payments will be made by the City under the Lease for the use and occupancy of the Leased Property, which is described in greater detail below.

Description

The Property being leased under the Lease (the "Leased Property") consists of the City Hall of the City ("City Hall"), including the land on which it is located, together with an adjacent parking lot, and all related improvements.

City Hall. City Hall is a three-floor, approximately 73,114 square foot building located on East 14th Street in the downtown area of the City. The building was built in 1965. It houses the City Council Chambers and members' offices, the offices of the City Manager, the officers of the Finance Director, the offices of the City's Community Development Director and other administrative offices of the City. The Alameda County Fire Department currently occupies 3,849 square feet of City Hall for use as office space, in portions of the buildings basement and second floor, and will move from City Hall to new premises in Dublin, California in 2013. The City does not anticipate that any entity other than a City agency or department will move into the space currently occupied by the Alameda County Fire Department.

The City complete seismic retrofit work on City Hall as part of a remodeling completed in 1996 and financed with the proceeds of the 1993 Certificates. City Hall has been constructed and retrofitted constructed in accordance with the then-applicable California Building Code and the building is protected by a fire sprinkler system designed in accordance with applicable requirements.

City Hall is part of the City's Civic Center Complex, which, in addition to the City Hall, includes the adjacent "South Office Building" and the City's Public Safety (Police Administration) Building. All of the buildings are located within a single City block between East 14th Street and Lafayette Avenue. The South Office Building and the Public Safety Building are on separate parcels and are not part of the Lease Property.

The City and the Authority, based on comparable properties, insurance appraisals, and other records it maintains, estimate the current fair rental value of the Leased Premises to be not less than the amount of the annual Lease Payments.

Modifications of Leased Property

Under the Lease, the City will have the right during the term of the Lease to make additions, modifications and improvements to the Leased Property or any portion thereof. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

Assignment and Subleasing

The City may assign the Lease or sublease the Leased Property, or any portion thereof, without limitation, provided, the Lease and the obligation of the City to make Lease Payments remain obligations of the City and the City provides the notices, legal opinions and assurances required by the Lease.

Substitution

Under the Lease, the City has the option at any time and from time to time, to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), upon satisfaction of all of the requirements set forth in the Lease, which includes (among others) the following:

- No Event of Default under the Lease has occurred and is continuing.
- The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances (as defined in the Lease), in an amount at least equal to the estimated value thereof.
- The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.
- The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made in the Lease.
- The City has filed with the Authority and the Trustee a written certificate of the City or other written evidencing stating that the useful life of the Substitute Property at least extends to October 1, 2031, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable under the Lease.
- The City has mailed written notice of the substitution to each rating agency that then maintains a rating on the Bonds.

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

After a substitution, the Former Property will be released from the leasehold, as appropriate. The Authority and the City will also make any amendments needed to be made to the Lease, and will enter into any necessary site or ground leases in connection with such substitution. Such amendments may be made without the consent of Bondowners. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments as a result of a substitution.

Release of Leased Property

Under the Lease, the City has the option at any time and from time to time during the term of the Lease to release from the Lease any portion of the Leased Property; provided that the City satisfies all of the requirements under the Lease that are conditions precedent to such removal, which include (among others) the following:

- No Event of Default under the Lease has occurred and is continuing.
- The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease following such release is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to the Lease following such release is at least equal to the Lease Payments thereafter coming due and payable.
- The City has mailed written notice of the release to each rating agency that then maintains a rating on the Bonds.

See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

THE BONDS

Authority for Issuance

The Bonds are being issued under the Bond Law, the Authority Resolution (which was adopted by the Board of Directors of the Authority on _____, 2012), the City Resolution (which was adopted by the City Council on _____, 2012), and the Indenture.

General Provisions

Bond Terms. The Bonds will be dated their date of delivery and issued in fully registered form without coupons in integral multiples of $5,000. The Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

Payments of Principal and Interest. Interest on the Bonds will be payable on June 1 and December 1 in each year, beginning June 1, 2013 (each an "Interest Payment Date"). Principal on the Bonds will be payable on December 1 in the amounts and in the years set forth on the inside front cover of this Official Statement.

While the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to the Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the Bonds. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,

- a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

- interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Principal and premium, if any, with respect to each Bond is payable upon surrender of such Bond at the Office of the Trustee in St. Paul, Minnesota, upon maturity or the earlier redemption thereof. The principal of, premium, if any, and interest on the Bonds will be payable in lawful money of the United States of America. Interest with respect to the Bonds will be computed on the basis of a 360 day year composed of twelve 30-day months.

Transfer, Registration and Exchange

See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a description of the provisions of the Indenture relating to the transfer, registration and exchange of the Bonds.

Redemption

Optional Redemption. The Bonds maturing on or before December 1, 20__ are not subject to optional redemption prior to their stated maturity. The Bonds maturing on or after December 1, 20__ are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on December 1, 20__ and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds of insurance or an eminent domain award with respect to the Leased Property which are not applied to repair, rebuild or replace the Leased Property as provided in the Indenture, at a redemption price equal to 100% of the principal amount to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on December 1, 20__ (the "Term Bonds") are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following tables; *provided, however,* that if some but not all of the Term Bonds have been redeemed pursuant to an optional redemption or special mandatory redemption from insurance or condemnation proceeds, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Mandatory Sinking Fund Redemption of
Term Bonds Maturing December 1, 20__

Sinking Fund Redemption Date (December 1)	Principal Amount To Be Redeemed
	$

Notice of Redemption. Notice of redemption will be mailed by the Trustee, first class, postage prepaid, not more than 60 and not less than 30 days before any redemption date, to the respective registered Owners of any Bonds designated for redemption at their addresses appearing on the registration books maintained by the Trustee and to one or more Securities Depositories and the Municipal Securities Rulemaking Board. Neither the failure to receive any notice nor any defect therein will affect the proceedings for such redemption.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee will select the Bonds to be redeemed from all Bonds of that maturity to be redeemed by lot in any manner which the Trustee in

its sole discretion deems appropriate. For purposes of such selection, Bonds will be deemed to be comprised of $5,000 portions and each portion will be subject to redemption as if such portion were a separate Bond.

Effect of Redemption. If notice of redemption has been duly given and money for the payment of the redemption price of the Bonds called for redemption has been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice.

Rescission of Redemption. The Authority has the right to rescind any notice of optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

Book-Entry Only System

The Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in integral multiples of $5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the Bonds, assuming no optional or extraordinary redemption.

Year Ending December 1	Principal	Interest	Debt Service
2013	$	$	$
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
	$	$	$

SECURITY FOR THE BONDS

The principal of and interest on the Bonds are not a debt of the Authority (except to the limited extent described in this Official Statement) or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the Bonds and certain provisions of the Indenture and the Lease. See "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a more complete summary of the Indenture and the Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Pledge of Revenues

The Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, mean:

(a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in the provisions of the Lease relating to permitted amendments that provide for additional rental to be pledged or assigned for the payment of bonds issued to finance or refinance projects for which the City is authorized to expend its funds, and (ii) any "Additional Rental Payments" (consisting of certain administrative costs due to the Authority and the Trustee under the Lease), and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Pursuant to the Assignment Agreement, the Authority has assigned to the Trustee for the benefit of the Owners of the Bonds, certain of its rights under the Lease, including its right to receive Lease Payments for the purpose of securing the payment of debt service on the Bonds and the right to pursue remedies in the event the City defaults under the lease.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE 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. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

The City covenants, under the Lease, to make Lease Payments as rental for the right to use and occupy the Leased Property under the Lease. Amounts of the scheduled Lease Payments are calculated to be sufficient to pay debt service on the Bonds when due. Lease Payments will be paid by the City semiannually to the Trustee on the Business Day immediately preceding each Interest Payment Date. Upon receipt, the Trustee will deposit the Lease Payments in the Bond Fund for the purposes of paying principal of and interest on the Bonds. The City covenants under the Lease to take such action as may be necessary to include all Lease Payments and Additional Rental Payments in its annual budgets and to make the necessary annual appropriations for all such rental payments.

Under certain circumstances described in the Lease, however, Lease Payments are subject to abatement during periods of substantial interference with the City's use and occupancy of all or a portion of the Leased Property, as described in " – Abatement" below.

Abatement

The Lease provides that the obligation of the City to pay Lease Payments will be subject to abatement by reason of (i) any damage or destruction such that there is substantial interference with the use and occupancy of all or any portion of the Leased Property, or (ii) a temporary taking of the Leased Property or a permanent taking of a portion of the Leased Property. Such abatement will be in an amount determined by the City, such that the resulting unabated portion of the Lease Payments will represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

In the case of abatement due to damage or destruction of the Leased Property, such abatement will 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 case of abatement due to a partial or temporary taking of the Leased Property under the power of eminent domain, (i) the Lease shall continue in full force and effect with respect Leased Property not taken or not permanently taken and (ii) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property. If all of the Leased Property 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 ceases as of the day such possession is taken.

Notwithstanding the foregoing, under the Lease, the Lease Payments will not be subject to abatement to the extent that proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction (including rental interruption insurance) or amounts in the Bond Fund are available to pay Lease Payments which would otherwise be abated, or Reimbursement Payments are received from the Successor Agency.

The Successor Agency has agreed to reimburse the City for the Lease Payments relating to the prepayment of the 2001 Certificates from Tax Increment Revenues and such obligation to reimburse is not subject to abatement. See "- Reimbursement Payments," below.

Insurance; Condemnation

In the event of an abatement of Lease Payments, debt service on the Bonds may, to a certain extent, be covered by insurance proceeds. The City is required to procure and maintain rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of certain hazards pursuant to the Lease. Such insurance will be in an amount at least equal to the maximum amount of Lease Payments coming due and payable during any consecutive two Fiscal Years. The Net Proceeds of such insurance, if any, will be paid to the Trustee and deposited in the Bond Fund, for application as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

The Lease also requires the City to maintain title insurance, standard commercial general liability insurance and casualty insurance with respect to the Leased Property. Any Net Proceeds under such title insurance policy will be deposited with the Trustee in the Bond Fund, to be credited towards the prepayment of the remaining Lease Payments under the Lease. The required casualty insurance will have a coverage amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Bonds, and may be subject to such deductibles as the City deems adequate and prudent.

See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a description of provisions of the Lease Agreement and the Trust Indenture relating to the application of proceeds from the casualty insurance or condemnation awards.

See "RISK FACTORS – Abatement."

Reimbursement Payments [TO BE REVISED, PENDING DATA FROM DAVID MEALY AND CALCULATION OF PAYMENT AMOUNTS AVAILABLE FOR LEASE PAYMENTS]

Redevelopment Tax Increment. The Successor Agency has succeeded to the rights and obligations of the Redevelopment Agency under the Joint Exercise of Powers Agreement as a result of recent amendments to the California Community Redevelopment Law (the "Redevelopment Law"). The Successor Agency is thus a duly constituted successor agency under the laws of the State of California and pursuant to such laws has duly proceeded with redevelopment activities necessary for the implementation of the Alameda County - City of San Leandro Redevelopment Project Area (the "Joint Project Area") under the provisions of the Redevelopment Law and pursuant to the Redevelopment Plan for the Project (the "Joint Project Plan"). The redevelopment plan for the Joint Project Area provides for tax increment financing in accordance with the provisions of Chapter 6, Part 1 of Division 24 of the California Health and Safety Code and Section 16 of Article XVI of the Constitution of the State of California. The Redevelopment Law provided a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a project area. First, the assessed valuation of the taxable property in a project area last equalized prior to adoption of the redevelopment plan is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies on behalf of which taxes are levied on property within the project area will receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. *Redevelopment agencies (and their successor agencies)*

themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes produced as above indicated.

Subordinate Pledge of Tax Increment Revenues. To assist the City in paying the costs of the acquisition and construction of the projects financed by the 2001 Certificates (the "2001 Projects"), the Redevelopment Agency and the City entered into the Original Reimbursement Agreement, which provided that Tax Increment Revenues would be used and applied to repay the City for all lease payments (the "2001 Lease Payments") made by the City to the Authority under the Lease Agreement between the Authority and the City dated as of December 1, 2001, which lease agreement leased the 2001 Projects (the "2001 Lease Agreement"). Such 2001 Lease Payments were defined in the Original Reimbursement Agreement as the "Reimbursement Payments," and the City agreed that such reimbursed amounts would be used and applied to pay such 2001 Lease Payments. Under the Original Reimbursement Agreement, "Tax Increment Revenues" consisted primarily of those taxes received by the Redevelopment Agency due to increases in assessed valuation of taxable property in the City portion of the Joint Project Area above the designated base year assessment roll, and the term is defined in the Original Reimbursement Agreement as all taxes allocated to, and paid into a special fund of the Redevelopment Agency for the City portion of the Joint Project Area pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, and as provided in the redevelopment plan for the Joint Project Area, including all payments and reimbursements, if any, to the Redevelopment Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding any amounts required to be used to improve the community's supply of low or moderate income housing pursuant to Section 33334.2 of the Redevelopment Law (or any successor or related Section of the Law). As security for the Redevelopment Agency's payment obligation under the Original Reimbursement Agreement, the Redevelopment Agency pledged the Tax Increment Revenues to the City, and created a lien thereon for the benefit of the City, subject to the Redevelopment Agency's obligations under certain senior obligations. The Reimbursement Payments were not subject to abatement.

Under the Amended Reimbursement Agreement, the Successor Agency has agreed to continue to use Tax Increment Revenues to reimburse the City for the portion of the Lease Payments relating to the refunding of the 2001 Certificates. As is required under the Redevelopment Law, the Successor Agency's execution of the Amended Reimbursement Agreement was approved the Successor Agency's Oversight Board and the Department of Finance of the State of California.

Historical Tax Increment Information. [TO COME FROM DAVID MEALY]

Senior Obligations Payable From Tax Increment Revenues. The pledge of Tax Increment Revenues for payment of the Reimbursement Payments are subject to senior pledges of Tax Increment Revenues made by the Redevelopment Agency. In the event the Successor Agency does not have sufficient Tax Increment Revenues in a particular year to make such payment or any portion thereof, the City would allow the Successor Agency to carry the balance forward until there is sufficient Tax Increment Revenues available to meet such obligation or the City may, in its discretion, waive such payment(s). The earliest payments carried forward is to be paid first from available Tax Increment Revenues and then the next payments due, until the Successor Agency had become current with the required payment schedule.

Additional Agency Obligations. In the Original Reimbursement Agreement, the Redevelopment Agency agreed that it would not issue any bonds or other obligations payable from Tax Increment Revenues on a parity with the amounts due under the Original Reimbursement

Agreement, unless and until the Redevelopment Agency has first delivered to the City a certificate certifying that the amount of Tax Increment Revenues in the fiscal year that such bonds are issued, or other obligations are executed, were equal to at least 1.00 times the amount required to pay the largest annual debt service on (i) certain obligations senior and on parity with the obligations under the Original Reimbursement Agreement existing on the date of that agreement's execution, (ii) the obligations due under the Original Reimbursement Agreement, and (iii) the debt service and other payments due on such bonds or other obligations. The Amended and Restated Reimbursement Agreement contains an identical provision.

Schedule of Reimbursement Payments. The table below sets forth the dates and amounts of the Reimbursement Payments.

Schedule of Reimbursement Payments

Payment Date ([Month, Day])	Reimbursement Payment Amount
	$

No assurances can be given that there will be sufficient Tax Increment Revenues to enable the Successor Agency to make the Reimbursement Payments on a timely basis.

No Reserve Account

Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Lease Payments or for the Bonds.

Remedies

If the City defaults in performance of its obligations under the Lease, the Authority or the Trustee, as assignee of the Authority, may either terminate the Lease and re-enter and re-let all or a portion of the Leased Property or may retain the Lease and hold the City liable for all payments on an annual basis and still have the right to re-enter and re-let the Leased Property without effecting a surrender of the Lease. Additionally, the Trustee may pursue remedies at law or in equity to enforce the Lease.

Although the Lease and the Indenture provide that the Trustee, as assignee of the Authority, may take possession of the Leased Property if there is a default by the City, and the Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of the Leased Property may not be easily recoverable and, even if recovered, could be of little value to others. There can be no assurance that the Leased Property can be re-let for an amount equal to all outstanding Lease Payments. Due to the essential nature of the governmental functions of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. In addition, the remedy of repossession and re-letting may prove to be unavailable or not economically viable with respect to all or portions of the Leased Property because the Authority has only a leasehold or other possessory right to some of the Leased Property. Therefore, repossession of the Leased Property in such instances may not be an available remedy. In addition, assuming the Leased Property could be repossessed, it may prove functionally impossible to relet.

[Approximately 3,849 square feet of City Hall have been leased to the Alameda County Fire Department for use as office space, pursuant to a lease agreement originally executed in ___, and which shall be terminated by the parties in 2013. The rights of the Trustee under the Lease, including the right to relet, would be subordinate to the ___ rights under its lease.]

THE AUTHORITY

The Authority was formed on May 24, 1993 pursuant to a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency. The Authority was formed for the purpose, among others, of assisting the City in the acquisition, construction and financing of public improvements that are of public benefit to the City. The City Council acts as the Board of the Authority. The Mayor and the Vice Mayor of the City serve as the Chairman and Vice-Chairman, respectively, the City Manager serves as the Executive Director, the City Clerk serves as the Secretary, and the City's Finance Director serves as the Treasurer of the Authority.

The Successor Agency has succeeded to the rights and obligations of the Redevelopment Agency under the Joint Exercise of Powers Agreement as a result of recent amendments to the California Community Redevelopment Law. The City Council sits as the board of the Successor Agency and the Successor Agency functions, in essence, as a department of the City. See ""RISK FACTORS – Redevelopment Agencies Dissolution," below.

THE CITY

Certain financial, economic and demographic information regarding the City is contained in APPENDIX A - "CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" and APPENDIX B - "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012." Each contains important information concerning the City and should be read in its entirety. In particular, APPENDIX A describes certain factors that have affected the City's financial condition in the past and that could materially affect the financial condition of the City in future fiscal years and the City's ability to make Lease Payments, including variations in property tax growth rates, and increasing retirement and other labor costs.

STATE BUDGET

The State has been experiencing significant financial stress, experiencing budget shortfalls in the billions of dollars each of the last several years. State revenues have declined significantly as a result of recent economic conditions and other factors. The State's adopted budget for Fiscal Year 2012-13 (the "2012-13 State Budget") contains billions of dollars of cuts in expenditures, as well as increased revenues (including a temporary increase in income and sales taxes approved in November 2012 (the "2012 Tax Increase")) to balance the 2012-13 State Budget and to rebuild a reserve.

The execution of 2012-13 State Budget may be affected by numerous factors, including but not limited to: (i) national, State and international economic and political conditions, (ii) litigation risk associated with proposed spending reductions, (iii) failure to generate expected savings as a result of the transfer of cash assets previously held by redevelopment agencies and (iv) other factors, all or any of which could cause the revenue and spending projections made in state's budget to be unattainable. While the State is not a significant source of City revenues, and the City does not anticipate that the State's financial condition will materially adversely affect the financial condition of the City, there can be no assurances that any of the State's current financial pressures, the 2012-13 State Budget, or future State budgets will not adversely affect the City. Additionally, the City cannot

predict the accuracy of any projections made in the 2012-13 State Budget. To the extent that the 2012-13 State Budget or future State budget processes results in reduced revenues to the City, the City will be required to make adjustments to the General Fund budget. Decrease in State revenues may have an adverse impact on the City's ability to pay the Lease Payments.

Information about the State Budget is regularly available at various State-maintained websites. An impartial analysis of the budget is posted by the Legislative Analyst Office at 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. The information referred to is prepared by the respective State agency maintaining each website and not by the City, the Authority or the Underwriter, and the City, the Authority and the Underwriter take 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.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The ability of the City to raise fees, taxes and other revenues is limited. Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City. For a description of other factors relating to the revenues of the City, see APPENDIX A —"CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION."

Article XIIIA of the State Constitution

Section 1(a) of Article XIIIA of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by counties and apportioned according to law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the Voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIIIA. 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, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIIIA. This amendment could serve to reduce the

property-tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residences 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.

In the November 1990 election, the voters approved the amendment of Article XIIIA to permit the State Legislature to exclude from the definition of "newly constructed" the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIIIA has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Article XIIB of the State Constitution

Article XIIIB of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior Fiscal Year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is the 1978-79 Fiscal Year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIIIB generally include authorizations to expend during a Fiscal Year the "proceeds of taxes" levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIIIB does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIIIB was amended in 1990 to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds $100,000. As a result of this amendment, the appropriations to pay the lease payments on the City's long term General Fund lease obligations are generally excluded from the City's appropriations limit.

Articles XIIIC and XIIID of the State Constitution

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

Article XIIIC 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 the City imposed, extended or increased without voter approval after December 31, l994 may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter-approval requirements of Article XIIIC reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

The City currently imposes the following general taxes: business-operations tax and transient-occupancy tax. Since all of these taxes were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the requirements of Article XIIIC. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIIIC.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to

or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

The City does not believe that any material source of its General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's operations could be adversely affected.

Proposition 62

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIIIA; (5) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

The *Guardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5, of the California Constitution relating to municipal affairs.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Proposition lA

Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle-license fee revenues as of November 3, 2004, and by providing 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 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. This shift of local government property tax can be accomplished 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.

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.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 Fiscal Year, are allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified

formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIIIA, Article XIIIB and Propositions 62, 218, and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting City's revenues or their ability to expend revenues.

RISK FACTORS

The following describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future.

Special Obligations of the Authority

The Bonds are special obligations of the Authority and are payable solely from, and secured by, a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of Lease Payments payable by the City under the Lease. If, for any reason, the Revenues collected under the Indenture are not sufficient to pay debt service on the Bonds, the Authority will not be obligated to utilize any other of its funds, other than moneys on deposit in the Bond Fund and certain other funds and accounts established under the Indenture, to pay debt service on the Bonds. The Authority has no taxing power.

No Pledge of Taxes

General. The obligation of the City to pay the Lease Payments and Additional Rental 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 and Additional Rental Payments does not constitute a debt or indebtedness of the Authority, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIIIC and Article XIIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIIIC and Article XIIID of

the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIIC and Article XIIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIIC and Article XIIID of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from its General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIIC and Article XIIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

The City has existing obligations payable from its General Fund. See "APPENDIX A - CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION- General Fund Obligations." The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

No Reserve Account

Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Lease Payments or for the Bonds.

Default

Whenever any event of default referred to in the Lease happens and continues, the Authority is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the

proceeds of such sale to redeem the Bonds or pay debt service on the Bonds. However, under the Indenture, the Trustee is empowered to declare the principal of all of the Bonds then-outstanding, and the interest accrued thereon, to be due and payable immediately.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Leased Property, the City's obligation to make Lease Payments will be subject to full or partial abatement, except that the effect of an abatement may be offset to the extent that Reimbursement Payments are received by the City from the Successor Agency, and this could result in the Trustee having inadequate funds to pay the principal and interest on the Bonds as and when due. See "SECURITY FOR THE BONDS - Abatement" and "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Assessed Value of Taxable Property; Delinquent Payment of Property Taxes

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

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay Lease Payments under the Lease when due.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there

have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation in the following fiscal years: 1983-84 (1.010%); 1995-96 (1.194%); 1996-97 (1.115%); 1999-00 (1.853%); 2004-05 (1.867%); 2010-11 (0.998%); 2011-12 (1.008%); and 2012-13 (1.02%). More information about inflationary assessed value adjustments can be accessed through the California State Board of Equalization's website, under the Final CCPI Announcement posted on the "Letters to Assessors" webpage for each year, at http://www.boe.ca.gov/proptaxes/ltacont.htm. *The reference to this internet website is shown for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values; Delinquencies. Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for taxes.

No assurance can be given that property tax appeals in the future will not significantly reduce the City's property tax revenues. There are two types of appeals of assessed values that could adversely impact property tax revenues:

> Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

The County Assessor may also unilaterally reduce assessed values under Proposition 8 and did so in fiscal years 2009-10, 2010-11 and 2011-12.

> Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The completion date of

new construction or the date of change of ownership determines the base year. Any base year appeal must be made within four years of the change of ownership or new construction date.

Decreases in the aggregate value of taxable property within the City resulting from natural disaster, reclassification by ownership or use, or as a result of the operation Proposition 8 all may have an adverse impact on the General Fund revenues available to pay Lease Payments under the Lease.

In addition, failure by large property owners to pay property taxes when due may also cause a decrease in General Fund revenues available to pay Lease Payments under the Lease when due.

See "- Natural Calamities," and "-Hazardous Substances" below, and "APPENDIX A - CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION; CITY FINANCIAL INFORMATION – Property Taxes."

Natural Calamities

General. From time to time, the City is subject to natural calamities, including, but not limited to, earthquake, flood, wildfire, tsunami, or pipeline incident, that may adversely affect economic activity in the City, and which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to and costs for the City.

Seismic. The City is located in an area classified as Seismic Zone 4 by the Uniform Building Code (the "UBC"). The area includes all of the greater San Francisco Bay Area and all of coastal California. Seismic Zone 4 is the highest risk zone classification under the UBC.

Active earthquake faults underlie both the City and the surrounding Bay Area. The eastern edge of the City is crossed by the Hayward Fault, creating the potential for significant damage. The city is also vulnerable to damage from earthquakes on the San Andreas Fault, located 10 miles to the west, and the Calaveras Fault, located 10 miles to the east. All such major faults have numerous fault complexes and branches. Recent significant seismic events include the 1989 Loma Prieta earthquake on the San Andreas Fault, centered about 60 miles south of San Francisco, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires and collapses of and structural damage to buildings, highways and bridges in the Bay Area.

Enforcement of the UBC by the San Leandro Building Division helps ensure that new construction will withstand the forces associated with a major earthquake. However, many of the buildings in San Leandro pre-date the modern UBC and are susceptible to damage. The City is nearing completion of a multi-year program to retrofit unreinforced masonry buildings (URMBs), most of which are located in and around downtown.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey, the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. The U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault, would likely cause hundreds of deaths and approximately $100 billion of damage. Property within the City could

sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity.

Flood. Flood hazards in San Leandro are associated with overbank flooding of creeks and drainage canals, dam failure, tsunamis, and rising sea level.

During the last 40 years, urbanization in the watersheds has increased impervious surface area, which has resulted in faster rates of runoff and higher volumes of storm water in the channels. Recent maps published by the Federal Emergency Management Agency (FEMA) indicate that a 100-year storm (e.g., a storm that has a 1% chance of occurring in any given year) could cause shallow flooding in parts of southwest San Leandro.

The City's Floodplain Management Ordinance requires that new construction, additions and major home improvement projects are raised at least one foot above the base flood elevation. The City is also working with the Alameda County Flood Control and Water Conservation City to increase the carrying capacity of flood control channels. Measures being pursued include redesign of the channels, replacing undersized culverts, and keeping the channels well-maintained and free of debris.

Most of the City would be flooded in the event of dam failure at the Lake Chabot or Upper San Leandro Reservoirs, which reservoirs are owned, maintained and operated by the East Bay Municipal Utility District. Such a flood could produce catastrophic damage and casualties in the City. The dams at both reservoirs have been seismically strengthened during the last 30 years, making the risk of failure extremely low.

Wildfire. The area of the City east of Interstate 580 is classified as a "moderate" fire hazard by the California Department of Forestry. The lack of a dense tree canopy is a mitigating factor as are the relatively wide streets, gentle slopes and grassland vegetation. Nevertheless, the city lies adjacent to thousands of acres of potentially flammable coastal scrub and forested open space. There are also a number of locations in the city, particularly along San Leandro Creek, with large eucalyptus trees and other highly flammable vegetation and combustible litter. The Uniform Fire Code specifies fire mitigation requirements that are enforced by the City's Building Division. The City also requires fire-resistant roofing materials in new construction and major remodeling projects.

Tsunami. Tsunamis are long-period waves usually caused by off-shore earthquakes or landslides. Because the San Leandro shoreline does not face the open ocean, the City believes that its risk of experiencing a tsunami is very low. A 100-year frequency tsunami would generate a wave run-up of 4.4 feet at the San Leandro shoreline. Most of the shoreline is protected by rip-rap (boulders) and would not be seriously affected.

Natural Gas Transmission Pipelines. On September 9, 2010 a Pacific Gas and Electric Company ("**PG&E**") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results, including the destruction of 38 homes. There are two similar transmission pipelines and numerous other types of pipelines owned, operated and maintained by PG&E located throughout the City.

PG&E's website (www.pge.com) provides information regarding its high pressure natural gas transmission pipelines and its long range natural gas transmission pipeline planning. This information is summarized below.

According to its website, PG&E has a comprehensive inspection and monitoring program to ensure the safety of its natural gas transmission pipeline system, and uses a risk management program that inventories each of the 20,000 segments within PG&E's natural gas transmission pipeline system and evaluates them against criteria such as:

- the potential for third party damage like dig-ins from construction,
- the potential for corrosion,
- the potential for ground movement, and
- the physical design and characteristics of the pipe segment.

PG&E has also indicated that it considers the proximity of its natural gas transmission pipelines to high density populations, potential reliability impacts and environmentally sensitive areas, and uses the data it collects to help plan and prioritize future work.

Based on all of these factors, PG&E determines which segments warrant further evaluation, monitoring or other future action. PG&E has created a list of the "Top 100" segments to help inform future work plans (although it should be noted that the pipeline that caused the explosion in the City of San Bruno was not on the Top 100 list). As conditions change from year to year, PG&E reevaluates the segments included on the list. This list can be found on PG&E's website at: http://www.pge.com.

A pipeline segment may be placed into planning for further study and long-range planning based upon its risk for one of five factors:

- Potential for Third-Party Damage,
- Potential for Corrosion,
- Potential for Ground Movement,
- Physical Design and Characteristics, and
- Overall (did not score high in any one factor of the above factors, but scored moderately high in more than one factor).

As noted above, additional information may be found on PG&E's website, specifically at http://www.pge.com.

None of the natural gas transmission pipelines on the PG&E Top 100 list are located within the City. However, as noted above, the pipeline that caused the explosion in the City of San Bruno was not on the Top 100 list.

The City is not able to independently confirm the information set forth above or the information contained on the PG&E website with respect to PG&E's pipelines, and can provide no assurances as to its accuracy or completeness. Further, the City can provide no assurances as to the

condition of PG&E pipelines in the City, or predict the extent of the damage to the surrounding property that would occur if a PG&E pipeline located within the City were to explode.

Hazardous Substances

Discovery of hazardous substances on parcels within the City could impact the City's ability to pay Lease Payments under the Lease when due.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has any thing to do with creating or handling the hazardous substance.

The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Reduction in the value of property in the City as a whole could reduce property tax revenues received by the City and deposited in the General Fund, which could significantly and adversely affect the ability of the City to pay Lease Payments under the Lease when due.

Redevelopment Agencies Dissolution

The California Legislature adopted a bill, "AB1X 26," during the fiscal year 2011-12 State budget process, that purported to amend the California Community Redevelopment Law to dissolve redevelopment agencies on a Statewide basis. On December 29, 2011, the California Supreme Court upheld AB1X 26 in the face of a legal challenge. As a result, all California redevelopment agencies, including the Redevelopment Agency, were dissolved as of February 1, 2012.

According to "trailer bill" legislation (AB 1484) effective on July 1, 2012, which further amended the Community Redevelopment Law, the County Auditor-Controller, the State Department of Finance and the State Controller may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by ABx1 26 and AB 1484, and, if funds are not returned within 60 days, the funds may be recovered through an offset of sales and use tax or property tax allocations to the local agency, which, in the case of the Redevelopment Agency, is the City.

The City is not aware of any improperly spent or transferred funds pursuant to AB 1484, and no taxing agency or member of the oversight board has raised any concerns about transactions between the City and its Successor Agency that could adversely impact the City's General Fund. [IF POTENTIAL $2M LIABILITY TO THE STATE, DEPARTMENT OF FINANCE'S LETTER OF CONFIRMATION NOT RESOLVED, AMEND DISCLOSURE ACCORDINGLY]

As a consequence of the operation of ABx1 26, the City, as well as counties, school districts and other special districts, may receive higher amounts of ad valorem property tax allocations, due to

future receipt of property tax increment amounts that had previously funded redevelopment agencies. However, such tax increment amounts may currently be pledged to secure redevelopment agency bonds or otherwise contractually encumbered, and the City cannot predict when its property tax receipts might increase or by how much.

Proposition 218

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIC and Article XIIID of the State Constitution," for information about certain risks to the City's General Fund revenues under Articles XIIIC and Article XIIID of the California Constitution.

State Budget

The State is facing significant financial stress. There can be no assurances that the State will not take budgetary or other actions that materially adversely affect the financial condition of the City. See "STATE BUDGET."

Limitations on Remedies Available to Bond Owners; Bankruptcy

The ability of the City to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Lease and the Indenture, the rights and obligations under the Bonds, the Lease and the Indenture may be subject to the following: the United States 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 equity 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 serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds 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. The opinion of Bond Counsel notes that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

Litigation

The City may be or become a party to litigation that has an impact on the City's General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents (see "APPENDIX A - CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION - Risk Management" for further information), the City cannot predict what types of liabilities may arise in the future and whether these may adversely affect the ability of the City to pay Lease Payments under the Lease when due. See also "CONCLUDING INFORMATION – Litigation."

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to pay Lease Payments and other payments due under the Leases 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 XIIB of the State Constitution" above.

Property Tax Allocation by the State; Changes in Law

The responsibility for allocating general property taxes was assigned to the State by Proposition 13, which stated that property taxes were to be allocated "according to law." The formula for such allocation was contained in Assembly Bill 8 ("**AB 8**"), adopted in 1978, which allocates property taxes among cities, counties, and school districts. The formulas contained in AB 8 were designed to allocate property taxes in proportion to the share of property taxes received by a local entity prior to Proposition 13. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS, Article XIIIA of the State Constitution."

Beginning in its fiscal year 1992-93, in response to its own budgetary shortfalls, the State began to permanently redirected billions of dollars of property taxes Statewide from cities, counties, and certain special districts to schools and community college districts. These redirected funds reduced the State's funding obligation for K-14 school districts by a commensurate amount. In response, Proposition 1A of 2004, approved by State voters in November 2004 and generally effective in Fiscal Year 2006-07, provided 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 limitations. However, pursuant to Proposition 1A and beginning in Fiscal Year 2008-09, the State could, upon gubernatorial proclamation of fiscal hardship and following approval of two-thirds of both houses of the legislature, and it did, shift to schools and community colleges up to 8% of local government ad valorem property tax revenues, which amount must be repaid, with interest, within three years. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In November 2010, State voters approved Proposition 22, which amends the State's constitution to eliminate the State's authority to temporarily shift additional ad valorem property taxes from cities, counties and special districts to schools, among other things. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS, Proposition 22." The state last passed a redirection or property tax shift applicable to fiscal years 2004-05 and 2005-06.

No assurance can be given that the State, the Counties' 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 in a manner that could result in a reduction of the City's property tax allocations or its other revenues and therefore a reduction of the funds legally available to the City to pay Lease Payments and other payments due under the Leases. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIC and Article XIIID of the State Constitution."

Loss of Tax-Exemption

The City has covenanted in the Lease, and the Authority has covenanted in the Indenture, that each will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986. In the event either the City or the Authority fails to comply with the foregoing tax covenant, interest on the Bonds may be includable in the gross income of the Owners thereof for federal tax purposes retroactive to the risk of issuance. See "TAX MATTERS".

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds. In addition, a number of local governments in the State have recently instituted bankruptcy or pre-bankruptcy proceedings. No assurance can be given that the market price for the Bonds will not be affected by the outcomes of these bankruptcy proceedings or the institution of bankruptcy or pre-bankruptcy proceedings for additional local governments in the State.

IRS Audit of Tax-Exempt Issues

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar obligations).

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the 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.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the

original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

CERTAIN LEGAL MATTERS

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and for the Underwriter by Nossaman LLP, Irvine California.

LITIGATION

The City is not aware of any pending or threatened litigation concerning the validity of the Bonds or challenging any action taken by the City with respect to the Bonds, the Indenture, the Lease, the Leased Property or any other agreements or actions undertaken in connection with the issuance of the Bonds. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Indenture or the Lease 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.

There are a number of lawsuits and claims pending and threatened against the City unrelated to the Bonds or actions taken with respect to the Bonds. It is the opinion of the City as of this date that such litigation, claims and threatened litigation will not materially affect the City's finances or impair its ability to make the Lease Payments under the Lease or the debt service payments on the Bonds.

FINANCIAL STATEMENTS

Maze and Associates, Certified Public Accountants (the "Auditor"), audited the financial statements of the City for the Fiscal Year ended June 30, 2012. The Auditor's examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City.

RATINGS

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**"), has assigned its municipal bond rating of "__" to the Bonds.

This rating reflects only the view of the rating agency, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from the rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City and the Authority have provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by the date that is nine months after the end of the City's Fiscal Year (currently March 31 based on the City's Fiscal Year end of June 30), commencing with the report for the 2011-12 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system ("EMMA"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT," attached to this Official Statement. These covenants have been made in order to

assist the underwriter of the Bonds in complying with Securities Exchange Commission Rule 15c2 12(b)(5).

[DISCUSS: The City has complied with all of its material obligations under existing continuing disclosure undertakings during the past five years.]

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FINANCIAL ADVISOR

Public Financial Management, Inc., San Francisco, California (the "Financial Advisor") has assisted the City with various matters relating to the planning, structuring and delivery of the Bonds. The Financial Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Financial Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the "**Underwriter**"), has entered into a bond purchase agreement with the Authority under which it will purchase the Bonds at a price of $_____ (equal to the par amount of the Bonds, plus/less original issue premium/discount of $_____, and less an Underwriter's discount of $____).

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

_____, as verification agent (the "Verification Agent"), upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the City, relating to (a) the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the 2001 Certificates and the 2003 Certificates and (b) the "yields" on the amount of proceeds held and invested prior to redemption of the 2001 Certificates and the 2003 Certificates and on the Bonds, as considered by Bond Counsel in connection with the opinion rendered by Bond Counsel, so not cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such

schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

PROFESSIONAL SERVICES

In connection with the issuance of the Bonds, all or a portion of the fees payable to Bond Counsel, Disclosure Counsel, Underwriter's Counsel, the Financial Advisor and the Trustee are contingent upon the issuance and delivery of the Bonds.

EXECUTION

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

SAN LEANDRO PUBLIC FINANCING AUTHORITY

By : _____
Executive Director

CITY OF SAN LEANDRO

By : _____
City Manager

APPENDIX A

CITY OF SAN LEANDRO GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

General

The City of San Leandro (the “City”) was incorporated in 1872 and is one of the oldest communities in the San Francisco Bay Area. Prior to its incorporation, the land that would become the City was inhabited by the ancestors of the Ohlone Nation, and further developed by Spanish and Portuguese settlers. From 1856 until 1868, San Leandro served as the county seat of Alameda County (the “County”) in the State of California (the "State"). The City presently occupies 15 square miles in the central part of the County, approximately 20 miles southeast of the City and County of San Francisco. Its neighboring cities include Oakland and Hayward and it is bordered on the west by the San Francisco Bay. The City offers its approximately 86,053 residents the quiet charm and character of a community that has been established for more than 130 years. The City is established as a charter city.

Once an agricultural community, San Leandro has been successful in attracting significant industrial, manufacturing and retail development to the area. The City has long been home to many food processing operations, and is home to many corporate businesses such as Ghirardelli and Otis Spunkmeyer and a Coca-Cola plant. There are five shopping centers: Bayfair Center, Westgate Center, Greenhouse Shopping Center, Marina Square Center, and Pelton Plaza. The industrial makeup of the City has been changing, moving away from its traditional manufacturing base toward more of an emphasis on services and warehousing industries.

As of January 1, 2012, the County had a population estimated at 1,532,137, making it the seventh most populous county in California. The County includes the cities of Oakland and Berkeley, and Oakland is its county seat. The County occupies most of the East Bay region of the San Francisco Bay Area, spanning a total area of 821 square miles, of which 737 square miles (or 89.82%) is land and 83.57 square miles (or 10.18%) is water. The San Francisco Bay borders the County on the west, and the City and County of San Francisco, California has a small land border with the city of Alameda due to land filling. The crest of the Berkeley Hills form part of the northeastern boundary, and reaches into the center of the County. A coastal plain several miles wide lines the Bay; it is home to Oakland and the County's most populous regions. Livermore Valley lies in the eastern part of the County. The Hayward Fault, a major branch of the San Andreas Fault to the west, runs through the most populated parts of the County, while the Calaveras Fault runs through the southeastern part of the County.

The northern part of the County has direct access to San Francisco Bay and the City of San Francisco. It is highly diversified with residential areas, as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated manufacturing, computer services and biotechnology firms. The middle of the County is also highly developed including older established residential and industrial areas. The southeastern corner of the County has seen strong growth in residential development and manufacturing. Many high-tech firms have moved from neighboring Silicon Valley in Santa Clara County to this area. The southwestern corner of the County has seen the most development in recent years due to land availability. Agriculture and the rural characteristics of this area are disappearing as the region maintains its position as the fastest growing residential, commercial and industrial part of the County.

Population

The City's population at January 1, 2012, the most recent estimate, was 86,053 according to the State Department of Finance. The table below shows population estimates for the City, the County and the State for the last five years.

TABLE 1
CITY OF SAN LEANDRO, COUNTY OF ALAMEDA
AND STATE OF CALIFORNIA
Population Estimates
As of January 1

Calendar Year	City of San Leandro	County of Alameda	State of California
2008	83,069	1,484,085	36,704,375
2009	83,951	1,497,799	36,966,713
2010	84,977	1,509,240	37,223,900
2011	85,490	1,521,157	37,510,766
2012*	86,053	1,532,137	37,678,563

* Most recent annual data available.

UPDATE - Sources: U.S. Census Bureau for 2010, State Department of Finance, Population Estimates for Cities, Counties and State with Annual Percentage Change – January 1, 2011 and 2012 (May 2012) and Population Estimates for Cities, Counties and State with Annual Percentage Change 2001-2010 and 2010 Census counts (August 2011).

Municipal Government

The City provides numerous municipal services including public safety; streets and roads; recreation, library and cultural services; health services; public infrastructure improvements; planning and zoning and general administrative services.

City Council. The City functions under a Mayor-Council-Manager form of government. Policy-making and legislative authority are vested in a seven member governing council consisting of the Mayor and six Council Members elected by City residents (the "**City Council**"). The City Council is elected on a non-partisan basis. Council Members serve four-year staggered terms, with either three or four Council Members elected every four years. The Mayor is elected at large and serves a four-year term. The Mayor and Council Members are elected at large and all are subject to two-term limits.

The scope of the City Council's power and influence includes, but is not limited to the following:

***** The power to pass ordinances,
***** The authority to establish and modify operating and capital budgets,
***** The power to appoint voting members to other governing authorities and commissions,
***** The power to appoint the City Manager, City Clerk and City Attorney,
***** The ability to plan and direct operations, and

***** The authority to veto, modify, and overrule decisions.

Members of the City Council are set forth below:

Council Member	**Title**	**Expiration of Term**
Stephen H. Cassidy	Mayor	December 2014
Michael J. Gregory	Vice Mayor	December 2014
Ursula Reed	Councilmember	December 2012
Diana M. Souza	Councilmember	December 2014
Tom Dlugosh	Councilmember	December 2012
Pauline Russo Cutter	Councilmember	December 2014
Jim Proula	Councilmember	December 2012

City Administration and Staff. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various departments.

Biographies of certain senior managers of the City are as follows:

CHRIS ZAPATA, City Manager, [TO COME].

DAVID BAUM, Finance Director, [TO COME].

CARLA RODRIGUEZ, Deputy Finance Director, [TO COME].

Labor Relations. The City authorized 409 full-time equivalent ("**FTE**") positions during Fiscal Year 2011-12, of which 347 were full-time employees, 62 were part-time employees, and 89 were sworn police personnel. For Fiscal Year 2012-13, the City has authorized 406.45 FTEs, of which 341 are full-time employees, 65.45 are part-time employees, and __ are sworn police personnel. The City provides retirement and other post employment benefits to City employees. See " – Retirement System" herein.

The City's employees are represented by four labor organizations, including one new organization, the San Leandro Police Management, which entered into an agreement with the City dated January 1, 2013. [CONFIRM:] The City is currently in bargaining with representatives of each of its labor organizations for renegotiation of the labor agreements between the City and such organizations. The terms and conditions of all expired contracts currently will remain in full force following the termination date of each agreement. At this time, the City does not anticipate the results of such renegotiations to cause a material fiscal impact upon the City's General Fund. Labor relations have been generally amicable in that there have been no major strikes, work stoppages or other similar incidents.

TABLE 2
CITY OF SAN LEANDRO
LABOR ORGANIZATIONS

Association	Termination Date of Agreement
San Leandro City Employees Association	December 31, 2012
San Leandro Management Organization	December 31, 2012
San Leandro Police Officers Association	December 31, 2012
San Leandro Police Management	

Source: City of San Leandro.

City Financial Information

Accounting Policies and Financial Reporting. The City Manager employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Manager, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Manager and a copy of the financial statements as of the close of the fiscal year is published.

The City, all its funds and the funds of certain other component entities of the City are audited annually by a certified public accounting firm. The firm of Maze and Associates, Certified Public Accountants is the City's current auditor (the "Auditor"). The comprehensive annual financial report of the City for fiscal year 2011-12 is attached hereto as Appendix B. *The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit of the financial condition of the City.*

The accounting policies of the City conform to generally accepted accounting principles. The Governmental Accounting Standards Board ("GASB") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and (ii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iii) required supplementary information.

Accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. There are three groups of funds - governmental funds (which include the General Fund), proprietary funds (which include enterprise funds and internal service funds) and fiduciary funds (which are used to account for resources held for the benefit of parties outside the City). The City maintains 32 individual governmental funds. Information is presented in the

governmental statement of revenues, expenditures, and changes in fund balances for the General Fund together with 22 other funds, in a single aggregated presentation. Supplementary information describing the City's Non-Major Governmental Funds (2), Non-Major Enterprise Funds (2), Internal Service Funds (4) and Fiduciary Funds (1) is also presented.

All governmental funds and fiduciary funds use the modified accrual basis of accounting. The proprietary funds use the accrual basis of accounting. The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

Comparative Financial Statements. The following tables provide a five-year history of the City's comparative General Fund Balance Sheet and comparative General Fund revenues, expenditures, transfers, and ending fund balances.

[OTHER DESCRIPTION AS NECESSARY]

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TABLE 3
CITY OF SAN LEANDRO
GENERAL FUND BALANCE SHEET
As of June 30 for Fiscal Years 2007-08 through 2011-12

	Audited 2007-08	Audited 2008-09	Audited 2009-10	Audited 2010-11	Audited 2011-12
ASSETS:					
Cash and cash equivalents	$20,580,663	$20,036,422	$13,567,383	$13,766,993	
Interest receivable	538,285	80,490	61,343	72,864	
Taxes receivable	-	-	-	177,812	
Accounts receivable – net	4,007,342	4,095,008	7,570,423	6,645,802	
Due from other funds	1,679,385	798,680	1,887,273	1,281,933	
Prepaid items	6,128	342,018	5,227	-	
Special Assessments	106,920	102,129	83,791	72,041	
Loans receivable – net	1,583,135	-	30,000	5,114	
Other assets	-	-	-	27,521	
Notes	-	-	-	-	
Advances to other funds	16,068,780	14,019,946	12,909,453	10,377,840	
Total Assets	$44,570,538	$39,474,693	$36,114,893	$32,427,920	
LIABILITIES:					
Accounts payable and other current liabilities	$3,972,559	$7,678,700	$7,493,882	$4,725,250	
Deferred revenue	1,641,960	1,673,733	1,696.117	1,994,311	
Other liabilities	1,327,595	25,673	-	28,373	
Compensated absences payable	326,866	407,622	522,107	-	
Total Liabilities	$7,268,908	$9,785,728	$9.712,106	$6,747,934	
FUND BALANCES:					
Reserved					
Encumbrances	$497,340	$549,569	$821,057	$3,497,827	
Due from other funds	16,068,780	14,019,946	12,909,453	10,377,840	
Long-term notes/loans receivable	1,583,135	-	-	-	
Unreserved, designated	19,152,403	15,074,450	12,672,277	11,804,319	
Total Fund Balances	$37,301,658	$29,688,965	$26,402,787	$25,679,986	
TOTAL LIABILITIES AND FUND BALANCES	$44,570,638	$39,474,693	$36,114,893	$32,427,920	

Sources: City of San Leandro Audited Financial Statements; City of San Leandro.

TABLE 4
CITY OF SAN LEANDRO
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2007-08 through 2011-12 (audited) and 2012-13 (budgeted)

	Audited 2007-08	Audited 2008-09	Audited 2009-10	Audited 2010-11	Audited 2011-12	Adopted Budget 2012-13
REVENUES:						
Property and Other Taxes[1]	$56,704,301	$53,445,212	$53,077,020	$57,469,043		
Licenses and Permits	5,836,665	5,879,122	5,565,446	6,179,057		
Intergovernmental	1,521,624	1,306,313	1,444,885	1,377,230		
Charges for Services	4,868,253	4,649,882	2,623,652	2,591,269		
Fines and Forfeitures	1,418,732	1,296,568	1,149,193	1,216,009		
Use of Money and Property	2,505,626	1,835,368	1,231,323	1,069,402		
Interdepartmental Charges	1,799,108	1,858,477	2,272,568	2,295,293		
Other Revenues	606,579	862,204	3,353,866	351,142		
Total Revenues	$75,260,888	$71,133,146	$70,717,953	$72,548,445		
EXPENDITURES:						
General Government	$11,036,809	$10,865,272	$10,344,760	$9,541,217		
Public Safety	44,062,516	45,198,529	45,036,744	43,280,305		
Engineering and Transportation	7,986,163	7,717,876	6,497,362	5,867,054		
Recreation and Culture	10,342,370	10,578,857	9,076,796	7,818,751		
Community Development	3,424,379	3,234,315	2,847,217	2,662,945		
Debt service: Principal	471,547	446,193	460,741	465,358		
Debt service: Interest and Fees	72,847	55,955	41,407	41,870		
Total Expenditures	$77,396,631	$78,096,997	$74,305,027	$69,667,500		
Excess of Revenues Over (Under) Expenditures:	($2,135,743)	($6,963,851)	($3,587,074)	$2,870,945		
OTHER FINANCING SOURCES (USES):						
Transfers In	-	$1,500,000	$1,457,121	$600,000		
Transfers Out	(3,786,352)	(2,148,842)	(1,617,942)	(4,193,746)		
Proceeds from Issuance of Debt	-	-	461,717	-		
Total Other Financing Sources (Uses)	($3,786,352)	($648,842)	$300,896	($3,593,746)		
Net Change in Fund Balance	($5,922,095)	($7,612,693)	($3,286,178)	($722,801)		
FUND BALANCES:						
Beginning of the year, as previously reported	$43,223,753	$37,301,658	$29,688,965	$26,402,787		
End of the Year	$37,301,658	$29,688,965	$26,402,787	$25,679,986		

(1) For a breakdown of each component of taxes, see Table 6.

Sources: City of San Leandro Audited Financial Statements; City of San Leandro.

Budget Process. In accordance with applicable sections of the California Government Code and the City's Charter, an annual budget is adopted by the City Council no later than the first regular meeting in July for the Fiscal Year beginning July 1. As part of the budget process, all City departments submit budget requests for the next Fiscal Year. These requests are reviewed, and a final City Manager recommended budget showing estimated revenues and expenditures of the City is prepared. This proposed budget is transmitted to the City Council and made available to the public for review. Study sessions and a public hearing are conducted before final adoption of the budget by the City Council.

The City functions with significant financial interdependency between the various City funds. Manifestations of financial interdependency include taking responsibility for financing deficits, being entitled to operating surpluses, and giving implied guarantees ("moral responsibility") for debt obligations. The City has no discretely reportable component funds and/or units; the City's blended component funds and/or units include or have included: operations of the Redevelopment Agency, the San Leandro Parking Authority, the Authority, and the San Leandro Economic Development Agency. The City has two proprietary utility and enterprise funds. The Water Pollution Control Plant Enterprise fund was established to account for the City's sewers, which protect public health and preserve water quality through collection, treatment and disposal of the community's wastewater and wastewater solids. The Shoreline Enterprise Fund was established in Fiscal Year 2002-03 to combine the Marina Enterprise and the Golf Course Enterprise Funds.

The City Manager is authorized to approve appropriation transfers within any City department or fund up to a specified amount; however, any new appropriation or appropriation transfer between departments or funds requires approval by the City Council. Supplemental appropriations may be necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level.

Under the City Charter, all unexpended appropriations lapse at the end of the Fiscal Year unless they are lawfully committed, or are required by law to be continuously appropriated from year to year.

Lawfully committed amounts include amounts legally encumbered at year end. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at year-end are reported as reservation of fund balances since they do not constitute expenditures or liabilities, and re-appropriations in the subsequent year provide authority to complete these transactions as expenditures.

The City Council reviews budget results at the mid-year review and at budget adoption. The ongoing review and long range planning focus for financial management provides numerous opportunities to identify and respond to changes in revenues and expenditures and in community priorities.

City Reserves. In 1989-90, the City Council adopted a policy for funding financial reserves and a series of financial values that were to be utilized in the development of the future budgets (the "Financial Goals Statement"). The Financial Goals Statement identifies and formalizes the financial principles by which the City is guided; it provides direction for preparing annual budget strategies and budgets and for conducting the day-to-day and long-term municipal affairs.

In part, the Financial Goals Statement states that the City will maintain reserve fund or working capital balances of at least 20% of operating expenditures in the General Fund and Enterprise Funds. This is considered the minimum level necessary to maintain the City's credit worthiness and to adequately provide for (i) economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy. (ii) contingencies for unseen operating or capital needs. and (iii) cash flow requirements. Reflecting this policy goal, the City maintains: (i) a Major Emergencies Reserve Fund and (ii) an Economic Recovery Reserve Fund, the value of which Funds, together, are targeted to equal 20% of operating Expenditures in the City's General Fund and Enterprise Fund, when possible.

The amount of the Major Emergencies Reserve has remained unchanged during the recent years of depressed economics. This Reserve has remained at $5,000,000 since 2007-08. The Economic Recovery Reserve, valued at $10,033,000 in 2007-08, was partially utilized for operations over the past several years. [CONFIRM: That said, the City's Fiscal Year 2012-13 budget was approved without any further draw-down of the Economic Recovery Reserve.]

In Fiscal Year 2007-08, the Major Emergencies and the Economic Uncertainty Reserves together totaled about 19% of the General Fund operating expenditures ($77,397,000). The aggregate Reserve amounts declined over the past several years and were recorded at $____, about __% of the General Fund operating expenditures, as of June 30, 2012. These amounts are unassigned and available for spending in the future.

Interfund Borrowing and Cash Flows. General Fund expenditures tend to occur in level amounts throughout the Fiscal Year. Conversely, General Fund receipts have followed an uneven pattern primarily as a result of secured property tax installment payment due dates in April and December and as a result of delays in payments from other governmental agencies, which represent the largest sources of City revenues. As a result, General Fund cash balances have typically declined or been negative for part of the Fiscal Year and, if negative, have been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution. The State Constitution prohibits interfund borrowings by cities after the last Monday of April of each Fiscal Year of amounts that exceed 85% of taxes accrued.

Self Insurance. The City maintains a Self Insurance Fund. The Self Insurance Fund provides the City insurance protection against public liability cases and worker's compensation claims related to injuries to City employees. The Fund's balance sheet records the liability for Claims and Judgments for outstanding cases and claims. As of June 30, 2012, the City's total liability for Claims and Judgments amounted to $_____ and the Self Insurance Fund reflected a fund balance of $____, including a $_____transfer from the General Fund fund balance.

General Fund Budgets. The City's General Fund original and final budget figures for the year ended June 30, 2012, the City's audited actual figures for the year ending June 30, 2012 and the City's adopted General Fund budget figures for the year ending June 30, 2013 are set forth in the following table.

"Operating Transfers In" in the following table generally represent [DISCUSS].

"Debt Service" expenditures reflected in the table below are related to [DISCUSS]. See "-General Fund Obligations," below.

[OTHER DESCRIPTION AS NECESSARY]

TABLE 5
CITY OF SAN LEANDRO
SCHEDULE OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)
Year Ended June 30, 2012

	Fiscal Year 2011-12 Amounts				Fiscal Year 2012-13 Amounts
	Original, Adopted Budget	**Final, Revised Budget**	**Audited, Actual**	**Variance with Final Budget**	**Original, Adopted Budget**
REVENUES:					
Property and other taxes	$ 57,762,000				
Licenses and permits	5,785,155				
Fines and forfeitures	1,190,000				
Service charges	2,381,000				
Intergovernmental	1,064,050				
Use of money and property	1,017,764				
Interdepartmental charges	2,295,294				
Other	265,233				
Total Revenues	$ 71,760,496				
EXPENDITURES:					
Current:					
General government	$ 9,475,573				
Public safety	44,279,435				
Engineering and transportation	6,357,635				
Recreation and culture	8,260,895				
Community development	2,811,787				
Debt service:					
Principal	483,036				
Interest and fees	24,193				
Total Expenditures	$71,692,554				
Revenues over (under) expenditures	$67,942				
OTHER FINANCING SOURCES (USES):					
Transfer in	-				
Transfer out	(67,942)				
Issuance of debt	-				
Total Other Financing Sources (Uses)	$(67,942)				
Net Change in Fund Balance	**-**				
Fund Balance, Beginning of Year					
Fund Balance, End of Year					

General Economic Condition and Outlook of the City. Commencing in 2008, the City has taken a number of steps to address the negative impacts of the economic downturn on the financial condition of the City. The following discussion describes annual economic conditions of the City with measures taken in the City's past three Fiscal Years, and projections and steps planned for Fiscal Year 2012-13.

Fiscal Year 2009-10. For Fiscal Year 2009-10, the City identified a $3.6 million operating deficit in its General Fund, which it remedied by pursuing cost cutting measures administered to reduce City expenditures by 4.9% from the prior Fiscal Year. Annual revenues received decreased by 0.58% from the prior Fiscal Year due to the continued economic downturn experienced by the City since 2008. Specifically, decreases in annual revenues received were attributable to a surge in unemployment, which deteriorated the City's labor market, and a concurrent decline in consumer confidence. The decline in consumer confidence was reflected in the City's financial report as a decrease in values of property and a decline in consumer good sales.

Fiscal Year 2010-11. In Fiscal Year 2010-11, economic conditions resulted in a slow paced recovery throughout the City, with continued high unemployment, and a weak housing market. Statewide, local governments continued to experience declining revenues. San Leandro's fiscal conditions improved slightly over original 2010-11 budget projections. The City's 2010-11 year-end General Fund totals improved, largely due to an increase in revenues. Final amounts reflected an operating increase of $2,870,000 for the Fiscal Year. Overall, City Staff calculated an ending fund balance in the General Fund of approximately $25,680,000 (which included non-spendable and restricted fund balances as well as assigned and unassigned fund balances) at the close of Fiscal Year 2010-11, an improvement of $2,224,000 over 2010-11 Adopted Budget projections.

Fiscal Year 2011-12. [ADD TO DISCUSSION] The City finished Fiscal Year 2011-12 with an assigned and unassigned General Fund balance of approximately $____. In Fiscal Year 2011-2012, the City achieved average annual savings of approximately [CONFIRM] $290,000 as a result of refinancing the side fund obligation of its PERS Safety Plan (as such is described in "-Retirement System," below). See "- General Fund Obligations," below. The City also achieved savings via an internal loan of $6 million from its Wastewater Treatment Plant Fund.

With respect to Fiscal Year 2011-12 revenues, the City received the following actual percentages of budgeted revenues:

General Fund Revenues	Actual Amount	Original Budget Amount	Percent of Budget Amount
Property Taxes	$	$	%
Sales and Use Taxes			
Franchise Taxes			
Utility Users Taxes			
Property Transfer Taxes			
Transient Occupancy Taxes			

Fiscal Year 2012-13. [ADD TO DISCUSSION]

[The City anticipates the need to undertake further structural cost reductions in order to maintain a balanced budget in the future.]

While the State is no longer a significant source of City revenues, and the City does not anticipate that the State's current financial condition will materially adversely affect the financial condition of the City, there can be no assurances that any of the State's current financial pressures, the 2012-13 State Budget, or future State budgets will not adversely affect the City. The State's budget balancing plans have and may continue to harm the City's finances, it may not receive State funds as previously received and presently anticipated, in a timely manner, or at all, and the State's elimination of redevelopment agencies may continue to have a dramatic impact upon the City's financial circumstances. See "STATE BUDGET" and "RISK FACTORS – State Budget", and "- Redevelopment Agencies Dissolution." . City Staff continues to monitor State budget developments and the progression of dissolution of redevelopment agencies, providing the City Council with updated information regularly.

General Fund Sources – Taxes and Other Revenues. The City's three largest sources of revenues are, in order, property taxes, sales taxes and the utility users taxes. The following table illustrates the City's primary General Fund sources over the last five years.

TABLE 6
CITY OF SAN LEANDRO
MAJOR TAX REVENUES BY SOURCE - GENERAL GOVERNMENTAL ACTIVITIES

	Audited 2007-08	Audited 2008-09	Audited 2009-10	Audited 2010-11	Audited 2011-12
Property Taxes (1)	$26,200,221	$27,654,817	$27,087,224	$26,720,790	
Sale and Use Taxes	22,251,900	19,095,799	17,594,934	21,811,494	
Franchise Tax	4,142,284	4,125,705	4,005,464	4,124,846	
Utility User's Tax	10,420,171	10,103,090	9,783,055	9,932,893	
Property Transfer Tax	2,924,656	2,870,441	2,297,145	2,528,604	
911 Community Access Tax	-	-	2,711,671	2,694,149	
Transient Occupancy Tax	320,508	294,496	304,453		
Motor Vehicle License Fee	361,261	278,615	-	381,122	
Other Taxes	-	-	28,626	506,280	
Total Revenue	$66,621,001	$64,422,963	$63,812,572	$68,700,178	

(1) Includes Redevelopment tax increment.
Sources: City of San Leandro Audited Financial Statements and City of San Leandro.

Property Taxes. Property taxes represent the largest source of tax revenue to the City (approximately ___% of general governmental tax revenues in 2011-12). Fiscal Year 2011-12 property tax revenues are recorded to be $___ million. [CONFIRM - Based on anticipated declines in assessed values for Fiscal Year 2012-13, the City budgeted property tax revenues to decline in Fiscal Year 2012-13 by ___%.]

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were first curtailed over 20 years ago when they were reduced by two-thirds and thereafter limited to 2% annual increases or the CPI, whichever was less.

Levy and Collection**.** Property taxes are levied for each Fiscal Year on taxable real and personal property as of the preceding January 1. 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 real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1% 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 of California and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. 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% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment 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 Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

ERAF Shift and Triple Flip Legislation**.** Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the State's the Education Revenue Augmentation Fund ("ERAF"), a shift that has resulted in diversion of City property taxes since Fiscal Year 1992-93. As discussed in "Sales and Use Taxes" below, on March 2, 2004, the State's voters approved a bond initiative known as the "California Economic Recovery Act" which includes provisions known as "Triple Flip" legislation, calling for a diversion of a portion of local governments' share of sales taxes to the State of California, and in return, a redirection of certain property taxes from the ERAF to local government.

Alternative Method of Tax Apportionment. The Board of Supervisors of the County has not approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"); therefore, the City's property tax collections reflect actual delinquencies, plus penalties collected for prior year's delinquencies.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" in the body of the Official Statement.

Future assessed valuation growth allowed under Article XIIIA (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.

Assessed Valuation History**.** The following table shows a ten-year history of the City's assessed valuation. The County Assessor reports that the Fiscal Year 2012-13 secured property assessed value increased slightly to $9,586,071(an increase of 5.2% from Fiscal Year 2011-12) and the Fiscal Year 2012-13 unsecured property assessed value decreased to $530,480 (a decrease of 0.4% from Fiscal Year 2011-12), resulting in a total Fiscal Year 2012-13 assessed value of $9,879,635 (an increase of 4.9% from Fiscal Year 2011-12).

In each of Fiscal Years 2009-10 [CONFIRM: and 2010-11], the Alameda County Assessor temporarily reduced the assessed value of certain properties in the City under Proposition 8. See "RISK FACTORS – Assessed Value of Taxable Property; Delinquent Payment of Property Taxes." The County has confirmed in writing with City staff that the City's Fiscal Year 2012-13 assessed value and property taxes collected thereupon are likely to be at least equal to its Fiscal Year 2011-12 assessed value and property tax collections.

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TABLE 7
CITY OF SAN LEANDRO
ASSESSED VALUATIONS OF ALL TAXABLE PROPERTY
Fiscal Years 2004-05 to 2012-13
Dollars in Thousands

Fiscal Year Ended June 30	Total City Assessed Valuation				Assessed Valuation Attributable to Redevelopment Agency [3]			
	Secured [1]	Unsecured	Less Exemptions [2]	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value
2004	6,676,341	536,497	(166,799)	7,046,038	2,534,206	358,306	(42,206)	2,850,306
2005	7,221,647	526,799	(182,526)	7,565,920	2,738,684	346,422	(63,818)	3,021,288
2006	7,752,095	538,060	(201,155)	8,089,000	2,902,768	357,620	(73,877)	3,186,511
2007	8,490,385	577,326	(193,142)	8,874,569	3,174,542	396,648	(65,057)	3,506,133
2008	9,065,717	568,195	(180,546)	9,453,366	3,337,069	396,034	(66,847)	3,666,256
2009	9,525,308	556,811	(207,657)	9,874,462	3,593,007	393,869	(87,613)	3,899,263
2010	9,102,245	570,588	(218,845)	9,453,988	3,599,645	395,246	(110,812)	3,884,076
2011	9,094,918	559,970	(238,681)	9,893,569	3,568,829	406,084	(208,631)	3,766,282
2012	9,109,542	532,437	(224,437)	9,417,542	n/a	n/a	n/a	n/a
2013	9,586,071	530,480	(236,916)	9,879,635	n/a	n/a	n/a	n/a

(1) Excludes non-unitary value of $1,594,417.
(2) Includes homeowner exemption.
(3) On February 1, 2012, redevelopment agencies in the State were required to cease operations and dismantle. See ""RISK FACTORS – Redevelopment Agencies Dissolution."

Source: City of San Leandro, California Municipal Statistics, Inc.

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Secured Tax Charges and Delinquencies. The property tax levies and collections for the City for 2002-03 through 2012-13 are shown in the following table.

TABLE 8
CITY OF SAN LEANDRO
SECURED TAX CHARGES AND DELINQUENCIES
2002-03 TO 2011-12

Fiscal Year	Secured Tax Charge [1]	Amount Delinquent June 30	% Delinquent June 30
2002-03	$6,594,874.76	$181,164.52	2.75%
2003-04	6,842,359.84	151,036.92	2.21
2004-05	7,375,047.15	163,425.75	2.22
2005-06	7,927,156.49	199,397.71	2.52
2006-07	8,677,608.61	351,554.44	4.05
2007-08	9,257,507.78	493,915.90	5.34
2008-09	9,555,160.41	507,107.46	5.31
2009-10	8,999,348.58	332,900.68	3.70
2010-11	8,922,553.12	253,788.84	2.84
2011-12	8,765,781.78	214,515.27	2.45

[1] 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

Tax Rates. The table below shows historical property tax rates within the City.

TABLE 9
CITY OF SAN LEANDRO
TYPICAL TAX RATE PER $100 ASSESSED VALUATION
(TRA 10-001

2012-13 Local Secured Assessed Valuation: $9,464,271,919

	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
General	1.0000	1.0000	1.0000	1.0000	1.0000
San Leandro Unified School District	.0699	.0771	.0897	.1108	.1085
Chabot-Las Positas Community College District	.0183	.0195	.0211	.0214	.0219
Bay Area Rapid Transit District	.0090	.0057	.0031	.0041	.0043
East Bay Regional Park District	.0100	.0108	.0084	.0071	.0051
TOTAL	1.1072	1.1131	1.1223	1.1434	1.1398

Source: California Municipal Statistics, Inc.

Major Property Taxpayers**.** The following table shows the largest taxpayers in the City as determined by their secured assessed valuations in 2011-12 and in Fiscal Year 2002-03.

TABLE 10
CITY OF SAN LEANDRO
LARGEST 2012-13 LOCAL SECURED TAXPAYERS

	Fiscal Year 2012-13 [1]			Fiscal Year 2002-03 [1]		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percent of Total City Taxable Assessed Valuation**	**Taxable Assessed Value**	**Rank**	**Percent of Total City Taxable Assessed Valuation**
Kaiser Foundation Hospitals	$423,750,118	1	4.48%	-		-
Standard Lakeside I LP	110,098,160	2	1.16			
Ghiradelli Chocolate Company	95,011,663	3	1.00	$45,667,709	3	0.75%
AMB-SGP CIF-California LLC	77,850,000	4	0.82	$114,867,163	1	1.87
Madison Bay Fair LLC	77,705,138	5	0.82	-	-	-
BCI Coca Cola Bottling Co. of LA	76,996,927	6	0.81	27,831,813	10	0.45
General Foods Corp.	65,885,235	7	0.70	45,621,504	4	0.74
AMB US Logistics Fund LP	59,606,982	8	0.63			
SKB Westgate Invsts LLC/Hart West	48,230,278	9	0.51			
Waste Managem't of Alameda Cty Inc.	47,257,951	10	0.50			
Safeway Stores Incorporated	45,424,117	11	0.48	36,796,371	6	0.60
Anthony A. Batarse, Jr., Trust	37,090,289	12	0.39	21,103,354	13	0.34
Gateway Buena Park Inc.	36,440,413	13	0.39			
AMB Property LP	34,719,654	14	0.37			
Georgia Pacific Corrugated LLC	31,098,118	15	0.33			
Peterson Power Systems Inc.	30,202,134	16	0.32			
Emerald Properties	29,939,527	17	0.32	32,793,173	8	0.54
World Savings & Loan Association	29,160,003	18	0.31	20,516,921	14	0.33
FPA Woodchase Associates LP	26,066,774	19	0.28			
PLP Partners LP-Wells Fargo Bank Trust	25,875,327	20	0.27			
Lucky Stores, Inc.	-	-	0.00	59,646,052	2	0.97
Bayfair 580 LLC	-	-	0.00	44,622,275	5	0.73
San Leandro Hospital LLP	-	-	0.00	36,404,601	7	0.59
Gateway Buena Park, Inc.	-	-	0.00	31,603,528	9	0.52
Monarch Ventures	-	-	0.00	23,653,097	11	0.39
Lakeside Village Associates	-	-	0.00	23,424,919	12	0.38
American National Can Company	-	-	0.00	20,305,059	15	0.33
Build CA QRS 12 24 Inc.	-	-	0.00	20,156,810	16	0.33
Heritage Associates LLC	-	-	0.00	19,898,194	17	0.32
Bigge Street Investors	-	-	0.00	17,482,304	18	0.29
San Leandro Investors LLC	-	-	0.00	15,954,598	19	0.26
Peterson Tractor Company	-	-	0.00	15,767,340	20	0.26
Subotal	$1,408,408,808		14.88%	$674,116,785		10.25%
All Others	8,055,863,111		85.12	5,452,305,720		89.75
TOTAL	$9,464,271,919		100.00%	$6,126,422,505		100.00%

(1) 2012-13 Local Secured Assessed Valuation: $9,464,271,919.

Sources: City of San Leandro and Alameda County Tax Assessor's Office; California Municipal Statistics for Fiscal Year 2012-13 data.

Foreclosure. Based on information provided by MDA DataQuick Information, an independent data collection service, for calendar year 2012, mortgage holders had sent ___ notices of default with respect to properties located within the City compared to 742 during calendar year 2011 (a decline of ___%), and ___ trustee deeds had been recorded (indicating that the property has been lost to foreclosure) during calendar year 2012 compared to 387 during calendar year 2011 (a decline of ___%).

A summary of the notices of default sent and trustee deeds recorded for the City and the County during calendar years 2009 through 2012 is summarized below.

TABLE 11
CITY OF SAN LEANDRO
NOTICES OF DEFAULT AND FORECLOSURES
Calendar Years 2008 through 2012

	Notices of Default				Trustee Deeds (Foreclosures)			
	Calendar Year				Calendar Year			
	2009	2010	2011	2012	2009	2010	2011	2012
City of San Leandro								
Number	1,163	768	742		460	389	387	
Percent Change	18.1%	(34.0%)	(3.4%)		(20.7%)	(15.4%)	(0.5%)	
Alameda County								
Number	15,156	10,873	9,197		5,910	5,532	5,046	
Percent Change	17.8%	(28.3%)	(15.4%)		(19.6%)	(6.4%)	(8.8%)	

Source: MDA DataQuick Information.

Sales and Use Taxes. Sales and use taxes represent the second largest source of tax revenue to the City (approximately ___% of general governmental tax revenues in 2011-12). The City received approximately $__ million in sales tax revenue for Fiscal Year 2011-12, which would be an increase of approximately $___ million or ___% from the prior year, based upon its estimated collections following the approval of Measure Z (as such is defined below). Sales taxes previously were the City's largest source of tax receipts, and the City is not certain whether reduced sales tax revenues is part of a short-term (recessionary) trend or a long term trend.

Sales Tax Rates**.** The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by the State Board of Equalization) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the "Sales Tax Law"), as shown below. As part of the State's Fiscal Year 2003-04 Budget, the State Legislature authorized, and the voters of the State approved, a redirection to the State from local jurisdictions (including the City) of sales revenues in the amount of 0.25% of the basic 1.0% local sales tax rate, starting July 1, 2004. The State of California uses such revenues to pay the State's economic recovery bonds. Under the California Economic Recovery Act, which includes legislation commonly referred to as the "Triple Flip," the State redirected certain property taxes in the ERAF to local governments, including the City, to compensate for this redirection of sales taxes on a "dollar for dollar" basis. Under this legislation, along with the guarantees provided by the passage of Proposition 1A in November 2004, the City expects that there will

not be any significant fiscal impacts on the City resulting from the "Triple Flip." See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 22."

At an election held on November 2, 2010, the voters of the City approved (by a majority vote) "Measure Z", which increased the sales tax in the City by 0.25%, to be used by the City for general purposes. The tax is scheduled to expire in 2018.

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 12
CITY OF SAN LEANDRO
SALES TAX RATES
Fiscal Year 2012-13

State (General Fund)	5.000%
State (Fiscal Recovery Fund)	0.250
State (Local Revenue Fund)	0.500
State (Local Public Safety Fund)	0.500
Local (City and County Operations)	0.750
Local (County Transportation Funds)	0.250
Total State-Wide Tax Rate	7.250%
Alameda County Essential Health Care Services Transactions and Use Tax (ACHC)	0.500
Alameda County Transportation Authority (ACTA)	0.500
Bay Area Rapid Transit District (BART)	0.500
City of San Leandro Transactions and Use Tax (SLGF)	0.250
Total City of San Leandro Tax Rate	9.000%

Source: California State Board of Equalization.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State of California. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State of California where the use will occur within the State of California. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's June 2005 Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at http://www.boe.ca.gov/.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the Board of Equalization first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any city, city and county, or county are required to be transmitted by the Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

See "City Economic and Demographic Information, Taxable Sales," below, for further detail regarding the City's sales tax receipts.

Other Taxes and Revenues.

Utility User's Tax. The utility users tax is the third largest revenue source for the City. The utility users tax is comprised of a tax on utilities, including electric, wired telecom, wireless telecom, natural gas, and cable.

The City's history of enactments regarding its Utility Users Tax is summarized as follows:

TABLE 13
CITY OF SAN LEANDRO
UTILITY USERS TAX HISTORY

Utility Covered	**Rate**
Electric*, Gas*, TV, Telephone	6.0%
Cable	6.0
Telecommunication	5.7

* Exemption on first $34 of gas or electric charges for residential properties.
Source: City of San Leandro.

The City's initial Utility Users Tax (the 5% tax on electric, gas, cable television and telephone utilities with the exceptions noted above) became effective on July 1, 1970, Thereafter, the Utility Users Tax was increased without voter approval in 1993 to 6% for non-residential users.

On November 4, 2008, the City's voters approved Measure RR, which authorized application of the Utility Users Tax to situations where there have been changes in technology and laws. Post-1984 technology had rendered the City's telephone tax less effective in taxing communication services that have, to a significant extent, replaced traditional telephone service. Unless precluded by federal law, Measure RR updates the City's existing telephone tax to apply to all types of telecommunication, video communication, text messaging, and paging services in addition to the telephone, cellular telephone and voice over internet protocol ("VOIP") services which are already taxed. Measure RR does not apply to digital downloads (e.g., games, ringtones, music and books). Federal court decisions in other states had recently created a concern as to whether the City's ordinance, as written prior to adoption of Measure RR, could be properly applied to long distance, cellular, VOIP and bundled telephone services.

Transient Occupancy Tax**.** The City currently levies a transient occupancy tax on hotel and motel bills equal to 10%. The transient occupancy tax is a tax paid by hotel and motel guests who spend fewer than 30 consecutive days in a hotel or motel in the City.

Recently, the operators of nine hotels in the City challenged the ordinance levying the transient occupancy tax, on various grounds including that it was unconstitutionally vague and a violation of equal protection. In a decision filed on September 18, 2007, the California Court of Appeals for the Sixth District upheld the validity of the ordinance against such challenge. No appeal was filed.

Franchise Fee. Prior to the passage of State Bill AB 2987, the "Digital Infrastructure and Video Competition Act of 2006," Federal and State laws allowed cities to grant franchises to cable companies to use the public right-of-way to install and provide video service. Under the current franchise agreement, the cable company pays San Leandro an annual franchise fee of 5% of gross revenues.

In addition, the City of San Leandro also receives revenue from Electric & Gas Franchises, as well as Refuse & Recycling. Electric/Gas franchise fees are based on gross receipts for the sale of electricity or gas within the City, and is the greater of these two calculations:

1. Electric or Gas Franchise Ordinance: 2% or gross receipts attributable to miles of line operated; or

2. 1937 Act Computations: gross receipts within the City multiplied by 1%.

Refuse & Recycling franchise fee calculations include complex calculations based on a variety of basis such as per ton or percent of gross receipts between 10-12%. Most of the fees are adjusted annually by CPI.

General Fund Obligations. Set forth below is a table presenting the long-term obligations payable from the City's General Fund, excluding the Bonds and the Refunded Certificates, followed by summary descriptions of each issuance.

TABLE 14
CITY OF SAN LEANDRO
LONG-TERM DEBT OBLIGATIONS

Obligation	Principal Amount	Interest Rate Range
2007 Certificates of Participation (1)	$23,435,000	4.00% to 4.375%
2005 Lease/Purchase Agreement	3,048,260	3.40% to 3.70%
2011 Lease/Purchase Agreement	461,717	Fixed at 3.80%
2012 Pension Obligation Bonds (2)	18,305,000	1.14% to 5.54%

(1) Interest payable semiannually on each May 1 and November 1, principal payable annually on November 1.
(2) Interest payable semiannually on each June 1 and December 1, principal payments payable annually on June 1.
Source: City of San Leandro.

2007 Certification of Participation. In 2007, the City issued $23,435,000 principal amount of 2007 Certificates of Participation (the "2007 COPs"). The purpose of the 2007 COPs was to provide funds to refund the outstanding 1999 Certificates of Participation (Library and Fire Stations Project) of the City of San Leandro and the San Leandro Public Financing Authority. Interest rates vary from 4.00% to a maximum of 4.375% and are payable semiannually on each May 1 and November 1. Principal payments are payable annually on November 1. The COPs evidence fractional interest of the owners in lease payment to be made by the City for use and occupancy of San Leandro Libraries and San Leandro Fire Stations. The balance outstanding as of June 30, 2012 was $_____.

[Carla to confirm if this is paid off: 2005 Master Equipment Lease/Purchase Agreement. In 2005, the City entered into a Lease/Purchase Agreement with Bank of America to Lease/Purchase Equipment in the amount of $3,048,260. The Equipment was for the Police Departments computer upgrades for servers, mobile laptops, and computer aided dispatch and records management system. The interest rates range from 3.40% to 3.70% payable in seven years. The balance outstanding as of June 30, 2012 was $____.]

2011 Master Equipment Lease/Purchase Agreement. In 2011, the City entered into a Lease/Purchase Agreement with Oshkosh Capital to Lease/Purchase Equipment in the amount of $461,717. The Equipment was for a 2011 Triple Combination Pumper Truck for the Fire Department. The interest rate is 3.80% payable in five years. The balance outstanding as of June 30, 2012 was $_____.

2012 Pension Obligation Bonds. In 2012, the City issued $18,305,000 principal amount of 2012 Taxable Pension Obligation Bonds (the "2012 POBs"). The purpose of the 2012 POBs was to refund the side fund obligation of its PERS Safety Plan (as such is described in "-Retirement System," below). Interest rates vary from 1.14% to a maximum of 5.54% and are payable semiannually on each June 1 and December 1. Principal payments are payable annually on June 1, commencing June 1, 2013.

Estimated Direct and Overlapping Bonded Debt. The estimated direct and overlapping bonded debt of the City as of [DATE] is set forth below.

TABLE 15
CITY OF SAN LEANDRO
DIRECT AND OVERLAPPING BONDED DEBT
as of [DATE TO BE DETERMINED]

Risk Management. The City uses a program of self-insurance for workers' compensation and general liability claims to minimize losses. The City also participates in a multi-agency joint powers authority to provide excess insurance coverage for liability coverage. The multi-agency joint powers authority and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential future losses.

See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012, Note 12" for additional information about the City's risk management practices.

Retirement System. All full time employees of the City are members of the California Public Employees Retirement System ("PERS"), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. PERS maintains two pension plans for the City: a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The City contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the City who are eligible under PERS. Benefit provision and all other requirements are established by State statute and City ordinance.

Funding Policy. Contributions to PERS are divided into employee and employer shares. City employees are required to contribute 9% of annual covered salary for safety employees. 8% of annual covered salary for all other employees hired before January 1, 2010, and 7% of annual covered salary for all other employees hired after January 1, 2010 as the employee share.

The City is required to contribute to PERS at an actuarially determined rate (based on annual covered payroll); the Fiscal Year 2011-12 rate was ___% for safety employees (for both its side fund and multiple-employer plans) and ___% for miscellaneous employees. The City makes the contributions required of City employees on their behalf and for their account, which amounted to $____ for the year ended June 30, 2012.

Annual Pension Cost. For Fiscal Year 2011-12 the City's annual pension costs of $10,185,143 for PERS was equal to the City's required and actual contribution. The required contribution rate for the Fiscal Year 2011-12 was determined as a part of the June 30, 2010, actuarial valuation which used the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.25% to 14.45% for miscellaneous members, and from 3.25% to 14.45% for safety members; (c) an inflation component of 3%, and (d) 2% per year cost-of-living adjustments for retirees. The actuarial values of assets of the Miscellaneous Plan and Safety Plan were determined using a technique that smooths the effect of short-term volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on a closed basis.

The City's annual pension costs for the Fiscal Years 2008-09, 2009-10, 2010-11 and 2011-12 are shown in the following tables:

Information for City of San Leandro Safety Plan

Fiscal Year Ended	Annual Pension Cost
June 30, 2009	$4,374,571
June 30, 2010	4,254,064
June 30, 2011	4,162,075
June 30, 2012	4,106,138

Information for City of San Leandro Miscellaneous Plan

Fiscal Year Ended	Annual Pension Cost
June 30, 2009	$3,306,405
June 30, 2010	3,085,779
June 30, 2011	2,790,203
June 30, 2012	3,598,318

Unfunded Actuarial Accrued Liability. The table below shows the recent history of the actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability to payroll for the City, all through the City's June 30, 2010 PERS valuation report, which is the most recent available. See also "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012, Note 15 and Item 2" for additional information.

Because the City has less than 100 active members in the Safety Plan as reported in one valuation in the June 30, 2003 PERS valuation and since June 30, 2004, the City is required to participate in a risk pool with other cities and agencies with less than 100 members in their own plans. An actuarial valuation of this single risk pool has been performed, and, standalone information of the schedule of the funding progress for any pooled individual entity's plan, including the City's Safety Plan is not available. A separate, standalone financial statement has been prepared for the City's Safety Plan Side Fund (which was refunded by the 2012 POBs).

TABLE 16

CITY OF SAN LEANDRO
TREND INFORMATION FOR PERS
Safety and Miscellaneous Plans

Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL/Excess Assets	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Safety (1)						
6/30/2008	$8,700,467,733	$7,464,927,716	$1,235,540,017	85.8%	$914,840,596	135.1%
6/30/2009	9,721,675,347	8,027,158,724	1,694,516,623	82.6	973,814,168	174.0
6/30/2010	10,165,475,166	8,470,235,152	1,695,240,014	83.3	955,980,815	177.3
Miscellaneous						
6/30/2008	$187,424,677	$173,324,193	$14,100,484	92.5%	$23,605,301	59.7%
6/30/2009	205,208,780	179,247,735	25,961,045	87.3	23,510,790	110.4
6/30/2010	214,152,551	183,903,259	30,249,292	85.9	19,694,872	153.6

(1) The Valuation Date for the Safety Plan is set according to the City's participation in PERS' Safety 3% @ 50 Risk Pool, which is the pool into which it has been assigned as a result of enrolling fewer than 100 employees, all as described above. Pursuant to the Safety 3% @ 50 Risk Pool, eligible employees may retire at 50 years of age, with benefits calculated according to 3% of the applicable salary and number of years service. Information set forth above is from PERS Safety 3% @ 50 Risk Pool documentation.

Source: City of San Leandro

The following table shows City contributions to PERS (including both the City portion as well as employee contributions paid by the City) for Fiscal Years 2008-09 through 2011-12, as well as the expected contribution for Fiscal Year 2012-13.

TABLE 17
CITY OF SAN LEANDRO
CITY PAYMENTS – PENSION PLAN
Fiscal Year Ended June 30

FY Ended June 30	2009	2010	2011	2012	2013
Safety					
Employee-Employer Paid	$1,026,013	$1,010,099	$1,018,017	$638,555	$584,960
Employee-Employee Paid				406,075	419,340
Employer	2,749,845	2,677,415	2,824,761	3,520,851	3,498,290
Subtotal	$3,775,858	$3,687,554	$3,842,778	$4,565,481	$4,502,590
Miscellaneous					
Employee-Employer Paid	$548,255	$505,652	$514,472	$285,242	$260,660
Employee-Employee Paid				165,615	152,840
Employer	980,743	857,257	900,513	833,481	856,530
Subtotal	$1,528,998	$1,362,909	$1,414,985	$1,257,338	$1,270,030
TOTAL	$5,304,856	$5,050,463	$5,257,763	$5,822,819	$5,772,620

As of June 30, 2010, the most recent actuarial valuation date, the Safety Plan was 76.0% funded on an actuarial value basis and 59.6% funded on a market value basis; the Miscellaneous Plan was 86.1% funded on an actuarial basis and 67.2% funded on a market value basis. The actuarial accrued liability for benefits was approximately $122 million for the Safety Plan and $134 million for the Miscellaneous Plan. The actuarial value of assets were approximately $93 million for the Safety Plan and $115 million for the Miscellaneous Plan; resulting in an unfunded actuarial accrued liability (UAAL) of $29 million for the Safety Plan and $19 million for the Miscellaneous Plan.

The market value of assets were approximately $73 million for the Safety Plan and $90 million for the Miscellaneous Plan; resulting in an unfunded liability (market value basis) of $49 million for the Safety Plan and $44 million for the Miscellaneous Plan.

The covered payroll (annual payroll of active employees covered by the plans) were $11 million for the Safety Plan and $18 million for the Miscellaneous Plan, and the ratio of the UAAL to the covered payroll was 258.2% and 104.3% for the Safety and Miscellaneous plans, respectively.

PERS Rate Adjustments. On March 14, 2012, the PERS Board voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of PERS member state and schools employer contributions will increase by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning fiscal year 2012-13 and (ii) the amounts of PERS member public agency contributions will increase by 1 to 2% for Miscellaneous plans and 2 to 3% for Safety plans beginning fiscal year 2013-14. More information about the PERS discount rate adjustment can be accessed through PERS's web site at www.calpers.ca.gov/index.jsp

?bc=/about/press/pr-2012/mar/discount-rate.xml. *The reference to this internet website is shown for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

The PERS Board adjustment has been undertaken in order to address underfunding of the PERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery. The City is unable to predict what the amount of PERS liabilities will be in the future, or the amount of the PERS contributions that the City may be required to make. Although not quantified at this time, this is also expected to result in increased City contributions.

In addition to this expected increase, there can be no assurances that the City's annual contributions to PERS will not significantly increase in the future. The actual amount of any increases will depend on a variety of factors, including but not limited to investment returns, actuarial assumptions, experience and retirement benefit adjustments.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("PEPRA") and that will also amend various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payout, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 will go into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, including employee associations of the City, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS predicts that the impact of AB 340 on employers, including the City, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS notes that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about AB 340 can be accessed through PERS's web site at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-

impacts.xml&pst=ACT&pca=ST. *The reference to this internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

The City is unable to predict what the amount of PERS liabilities will be in the future or the amount of the PERS contributions which the City may be required to make, all as a result of the implementation of AB 340, and as a result of negotiations with its employee associations.

See also "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012, Note 9" for additional information to the City's retirement plans.

Other Post-Employment Retirement Benefits.

General. In April 2004, the GASB issued Statement No. 43, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. Statement No. 43 establishes uniform financial reporting standards for post-employment healthcare and other nonpension benefits ("OPEB") plans. The approach followed in Statement No. 43 is generally consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. Statement No. 43 became applicable to the City for the Fiscal Year ending June 30, 2009.

Subsequently, in June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to OPEB. Statement No. 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Statement No. 45's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

As required, the City adopted GASB 43/45 beginning with Fiscal Year 2008-09.

City Plan Description. The City's defined benefit Other Post Employment Benefit (OPEB) Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of San Leandro. Retirees who have at least ten years of service and meet certain criterion based upon retirement date, household income in the most recent calendar year and age are entitled to reimbursements for qualified expenses.

Annual maximum reimbursement amounts differ depending on when an employee retired from City service. The majority of retirees may be eligible for a maximum of $4,320 in annual reimbursements. Amendments to benefit provisions are negotiated by various bargaining units at the City and must be approved by Council. In Fiscal Year 2008-09, the

City established an irrevocable exclusive agent multi-employer benefit trust which is administered by Public Agency Retirement Services ("PARS"). The trust will be used to accumulate and invest assets necessary to reimburse retirees.

Annual OPEB Cost and Net OPEB Obligation. The Plan's Annual Required Contribution ("ARC") is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for Fiscal Year 2011-12, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

Annual required contribution	$1,443,000
Interest on net OPEB obligation	71,000
Adjustment to annual required contribution	(62,000)
Annual OPEB cost (expense)	1,452,000
Contributions (benefit payments)	(1,169,503)
Increase in net OPEB obligation	282,497
Net OPEB obligation – beginning of year	1,356,528
Net OPEB obligation – end of year	$1,639,025

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last four Fiscal Years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$1,791,000	$1,411,315	79%	$379,685
June 30, 2010	1,870,000	1,359,742	73	510,258
June 30, 2011	1,387,000	920,415	66	466,585
June 30, 2012	1,452,000	1,169,503	81	282,497
Total Net OPEB Obligation				$1,639,025

Source: *City of San Leandro.*

Funding Policy. There is no statutory requirement for the City to prefund its OPEB obligation. The City has currently, and generally, has chosen to both pay plan benefits on a pay-as-you-go basis and to also fund an irrevocable trust that it established with PARS in Fiscal Year 2008-09 (the "PARS Trust"). The City paid and contributed the following amounts for eligible employees as its regular employer contributions for and over its last four Fiscal Years:

Fiscal Year Ended	No. of Employees	Amount Contributed to PARS Trust	Amount Paid Under Pay-as-you-go
June 30, 2009	335	$500,000	$911,315
June 30, 2010	355[2]	$500,000	$859,742
June 30, 2011 [1]	355[2]	0	$920,415
June 30, 2012			

(1) For Fiscal Year 2010-11, the City did not contribute to the PARS Trust.
(2) Estimated. The City's OPEB actuarial study, which generates the number of eligible employees for which regular contributions are made is prepared once every two to three years.

The City presently anticipates that its pay-as-you-go plan benefit expense will be approximately $____ for Fiscal Year 2012-13, and that it will also contribute ____ to the PARS Trust for this same Fiscal Year.

Funded Status and Funding Progress. As of June 30, 2009, the latest valuation date, the funded status of the plan, was as follows:

Actuarial accrued liability (AAL)	$16,853,000
Actuarial value of plan assets	$500,000
Unfunded actuarial accrued liability (UAAL)	$16,353,000
Funded ratio (actuarial value of plan assets/AAL)	3%
Covered payroll (active plan members)	$29,408,000
UAAL as percentage of covered payroll	55.6%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the entry age normal actuarial cost method was used with a 30 year closed amortization period and level percentage of pay. There were no assets in the plan as of the valuation date. The actuarial assumptions are as follows:

* The CPI was assumed to be a constant at 3% per year.

* Assets in the plan will be invested in a moderately conservative money market portfolio that will provide current income with capital appreciation as a secondary objective.

* 7.75% Investment rate of return (net of administrative expenses).

Investment Policies and Procedures. The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the Finance Director invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average daily cash and investment balance in these funds. The City invests its funds in accordance with the City's Investment Policy (the "Investment Policy"), which is subject to annual review and approval by the City Council. The purpose of the Investment Policy is to establish the investment goals of safety, liquidity, and yield (in that order). The City's Investment Policy complies with the provisions of the California government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State). The Investment Policy limits the City to investments authorized by State law. In addition, the Investment Policy establishes further guidelines.

The overall strategy of the Investment Policy is to earn a maximum rate of return, while preserving capital and sufficient liquidity to meet operating cash requirements. This is accomplished by maintaining a portfolio of allowable investment instruments that have acceptable credit quality standards with maturities matching expected cash needs. The City does not actively trade securities in the open market. The City utilizes a "buy and hold" approach, which means that it holds securities until maturity unless they are called prior to their scheduled maturity dates by the issuing entity.

The City Council reviews monthly investment reports. According to the report for the month ended December 31, 2012, the City has invested funds as set forth in the table below. There has been no material change to the amounts of invested funds set forth below as of the date hereof.

TABLE 18
CITY OF SAN LEANDRO
INVESTMENT PORTFOLIO
as of December 31, 2012[(1)]

	Par Value	Market Value	Cost	Percent of Portfolio	Days to Mat./Call	YTM/C
Federal Agency securities						
Money Market						
U.S. Treasury Notes						
Local Agency Investment Fund (LAIF)						
TOTAL						

(1) Most recent report available.
(2) Not applicable
Source: *City of San Leandro.*

City Economic and Demographic Information

Employment and Industry. The City has a diverse and strong economy, with its business community comprised of a varied collection of businesses ranging from neighborhood coffee houses and fine restaurants, large food processing centers, and regional shopping opportunities, to cutting edge technology companies. While the economic base has dramatically changed from its agricultural early years, San Leandro continues to expand on its sound business base with the ongoing development of such projects as a new downtown parking structure, a multi-family housing development, a new regional hospital, and the continued revitalization of downtown San Leandro.

The recession resulting from the global financial and credit market meltdown in late 2008 has had a direct and dramatic impact on San Leandro's local revenues. While there are some signs of an economic recovery, it is very slow. The unemployment rate in the Oakland-Fremont-Hayward Metropolitan Division, of which San Leandro is a part, was ___% in December 2012, down from a revised ___% in November 2012, and below the year-ago estimate of ___%. This compares with an unadjusted unemployment rate of ___% for the State and ___% for the nation during the same period. The unemployment rate was ___% in the County, and ___% in Contra Costa County.

Despite the recession, the City's economy has remained relatively strong. The City has placed a strong priority on maintaining its industrial base – over 20% of the City's land area is zoned industrial – to take advantage of its close proximity to the Port of Oakland, Oakland Airport and two major highways. The City's industrial vacancy rates are among the lowest in the region and the City has become a hub for specialty and food manufacturing.

San Leandro is also a net importer of sales tax revenue, due to the presence of its thriving regional shopping centers and the San Leandro Marina Auto Mall. In order to increase the local tax base, the Redevelopment Agency and a large number of local and regional car dealerships created the Marina Auto Mall, taking advantage of a convenient location and access to Interstate 880. The Auto Mall consists of 12 dealerships, and it has benefitted from industry consolidation and remained almost completely occupied. Efforts to revitalize the downtown area of the City have also begun to bear fruit, as major infrastructure upgrades and a branding and marketing program are bringing new retail activity to the City's historic core.

The following table shows civilian labor force and wage and salary employment data for the San Leandro Metropolitan Statistical Area, which is within the County, for the past five available calendar years.

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TABLE 19
OAKLAND-FREMONT-HAYWARD METROPOLITAN DIVISION
ALAMEDA, ALAMEDA COUNTIES
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
(Annual Averages)

	2007	2008	2009	2010	2011*
Civilian Labor Force (1)	1,272,700	1,287,800	1,288,600	1,277,400	1,284,600
Employment	1,213,000	1,208,500	1,153,000	1,133,200	1,151,600
Unemployment	59,800	79,200	135,600	144,200	133,400
Unemployment Rate	4.7%	6.2%	10.5%	11.3%	10.4%
WAGE AND SALARY EMPLOYMENT: (2)					
Agriculture	1,500	1,400	1,400	1,500	1,600
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	71,700	64,900	53,500	47,600	46,300
Manufacturing	94,400	93,100	82,800	78,600	79,000
Wholesale Trade	48,700	47,600	43,700	42,100	42,000
Retail Trade	113,300	109,400	102,100	99,900	100,300
Transportation, Warehousing, Utilities	37,300	35,900	33,200	31,900	31,600
Information	29,000	27,800	25,300	23,900	22,700
Finance and Insurance	41,100	36,200	32,500	33,100	32,600
Real Estate and Rental and Leasing	17,000	16,500	15,500	15,300	14,700
Professional and Business Services	158,200	162,400	148,700	148,000	154,200
Educational and Health Services	128,300	133,000	137,200	139,700	137,500
Leisure and Hospitality	88,000	89,100	85,100	85,600	87,300
Other Services	36,200	36,100	34,700	34,600	35,900
Federal Government	17,100	17,100	16,700	15,700	14,600
State Government	166,800	160,100	155,800	151,400	146,200
Local Government	44,500	39,100	39,000	38,000	38,400
TOTAL, ALL INDUSTRIES (3)	1,049,700	1,031,800	969,400	949,800	986,100

* Most recent data available.
(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers. Shown below are the principal employers in the City. [UPDATE WITH 2012 CAFR INFORMATION]

TABLE 20
CITY OF SAN LEANDRO
PRINCIPAL EMPLOYERS
As of June 30, 2012

Employer Name	No. of Employees	Percentage of Total Employment
San Leandro Unified School District	1,262	4.30%
City of San Leandro	453	1.54
American Medical Response West	402	1.37
Costco Wholesale	333	1.13
Coca Cola Bottling Co.	317	1.08
North Face (1)	314	1.07
Wal-Mart Store 2648	283	0.96
Kindred Hospital- SF Bay Area	268	0.91
OSI Soft, Inc	257	0.88
Media Copy	238	0.81

(1) North Face plans to move all of its employees from the City to the City of Alameda by June 2013. As of June 13, 2011, it remained a principal employer of the City, as reflected above.

Source: City of San Leandro Comprehensive Annual Financial Report.

The following table shows the major employers in the County as of October 2012, listed in alphabetical order.

TABLE 21
ALAMEDA COUNTY
Major Employers, 2012
(Listed alphabetically)

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Sheriff's Ofc	Oakland	Sheriff
Alta Bates Summit Medical Ctr	Oakland	Hospitals
Alta Bates Summit Medical Ctr	Berkeley	Hospitals
Bayer Corp	Berkeley	Drug Millers (Mfrs)
Berkeley Coin & Stamp	Berkeley	Coin Dealers Supplies & Etc
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Childrens Hospital Health Lbry	Oakland	Special Interest Libraries
Clorox Co	Oakland	Specialty Clng Plshng/Sanitation (Mfrs)
Clorox Co	Pleasanton	Specialty Clng Plshng/Sanitation (Mfrs)
Cooper Vision Inc	Pleasanton	Physicians & Surgeons Equip & Supls-Mfrs
East Bay Water	Oakland	Transit Lines
Highland Hospital	Oakland	Physicians & Surgeons
Kaiser Permanente Hospital	Hayward	Hospitals
Kaiser Permanente Medical Ctr	Oakland	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore Natl Lab	Livermore	Alternative Fuels
Residential & Student Svc Prog	Berkeley	Schools-Universities & Colleges Academic
Safeway Inc	Pleasanton	Grocers-Retail
Tesla Motors	Fremont	Automobile Dealers-Used Cars
Transportation Dept-California	Oakland	State Government-Transportation Programs
University of Ca-Berkeley	Berkeley	Schools-Universities & Colleges Academic
University-Ca Dept Edu Otrch	Oakland	Schools-Universities & Colleges Academic
Washington Hospital Healthcare	Fremont	Hospitals
Waste Management Inc	Oakland	Alternative Fuels
Alameda County Law Enforcement	Oakland	Sheriff

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2013 1st Edition.

Effective Buying Income. "Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the County of Alameda, the State and the United States for the period 2007 through 2011, which is the last year for which such information is available.

TABLE 22
CITY, COUNTY, STATE AND UNITED STATES
EFFECTIVE BUYING INCOME
As of January 1, 2007 through 2011

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2007	San Leandro	$1,781,143	$50,118
	Alameda County	37,572,278	54,688
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	San Leandro	$1,825,223	$51,503
	Alameda County	38,889,500	55,987
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	San Leandro	$1,916,318	$52,973
	Alameda County	40,053,865	57,997
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	San Leandro	$1,777,668	$49,045
	Alameda County	38,097,873	54,734
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011*	San Leandro	$1,831,193	$48,748
	Alameda County	39,064,683	54,542
	California	814,578,458	47,062
	United States	6,438,704,664	41,253

* Most recent annual data available.
Source: *The Nielsen Company (US), Inc.*

Building Permit Activity. Provided below are the building permits and valuations for the City of San Leandro for calendar years 2007 through 2011, which is the last year for which such information is available.

TABLE 23
CITY OF SAN LEANDRO
TOTAL BUILDING PERMIT VALUATIONS
(Valuations in Thousands)

	2007	2008	2009	2010	2011*
Permit Valuation					
New Single-family	$4,251.5	$954.9	$976.5	$2,758.1	$905.9
New Multi-family	2,884.9	558.2	10,500.0	0.0	0.0
Res. Alterations/Additions	24,184.6	9,055.8	5,517.1	4,666.9	7,716.9
Sub-total Residential	31,321.0	10,569.0	$16,993.6	$7,424.9	$8,622.8
New Commercial	2,800.0	6,617.0	9,000.0	0.0	89,173.0
New Industrial	1,897.6	6,900.0	0.0	0.0	4,400.0
New Other	2,635.0	1,245.3	906.8	2,068.9	330.0
Com. Alterations/Additions	36,522.2	26,108.7	21,813.1	12,201.7	11,016.3
Sub-total Nonresidential	$43,854.8	$40,871.0	$31,719.9	$14,270.6	$104919.3
TOTAL	$75,175.8	$51,440.0	$48,713.5	$24,453.6	$113,542.1
New Dwelling Units					
Single Family	19	6	3	7	4
Multiple Family	17	2	51	0	0
TOTAL	36	8	54	7	4

* Most recent data available.

Sources: Construction Industry Research Board, Building Permit Summary for Calendar Years 2007 through 2011.

Provided below are the building permits and valuations for the County for calendar years 2007 through 2011, which is the last year for which such information is available.

TABLE 24
ALAMEDA COUNTY
TOTAL BUILDING PERMIT VALUATIONS
(Valuations in Thousands)

	2007	2008	2009	2010	2011*
Permit Valuation					
New Single-family	$424,009.7	$238,743.0	$227,982.5	$276,660.5	$269,312.8
New Multi-family	315,894.0	201,122.3	96,518.0	157,459.3	249,684.1
Res. Alterations/Additions	339,842.5	285,782.4	229,873.2	243,289.9	273,631.8
Sub-total Residential	$1,079,746.3	$725,647.7	$554,373.7	$677,409.6	$792,628.7
New Commercial	219,825.1	197,181.1	72,055.6	$14,689.2	261,804.2
New Industrial	65,661.4	60,200.0	89,535.4	82,475.8	17,485.7
New Other	102,269.9	95,640.7	45,100.3	69,060.1	37,504.6
Com. Alterations/Additions	503,015.7	457,412.5	391,295.8	398,430.5	392,163.7
Sub-total Nonresidential	$890,772.1	$810,434.3	$597,987.1	$564,655.4	$708,958.2
TOTAL	$1,970,518.4	$1,536,082.0	$1,152,360.8	$1,242,065.0	$1,501,586.9
New Dwelling Units					
Single Family	1,340	761	802	16	817
Multiple Family	1,911	1,296	536	936	1,352
TOTAL	3,251	2,057	1,338	1,843	2,169

* Most recent data available.

Sources: Construction Industry Research Board, Building Permit Summary or Calendar Years 2007 through 2011.

Taxable Sales. In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 and 2010 is not comparable to that of prior years.

Total taxable sales during the first two quarters of calendar year 2011 in the City were reported to be $831,397, a 7 percent increase over the total taxable sales of $776,407 reported during the first two quarters of calendar year 2010. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the City, for the past five years in which data is available, is presented in the following table.

TABLE 25
CITY OF SAN LEANDRO
NUMBER OF PERMITS AND VALUATION OF
TAXABLE TRANSACTIONS
(shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2005	1,212	$1,378,296	2,644	$1,978,944
2006	1,136	1,384,347	2,545	2,014,182
2007	1,099	1,319,642	2,525	1,949,865
2008	1,154	1,212,699	2,506	1,787,282
2009 (1)	1,336	1,074,706	2,351	1,598,739
2010 (1)	1,414	1,110,136	2,448	1,633,900

(1) Data available is not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and after is not comparable to that of prior years. Total taxable transactions during the first two quarters of calendar year 2011 in the County were reported to be $11,062,838,000, an 8 percent increase over the total taxable transactions of $10,226,219,000 reported during the first two quarters of calendar year 2010. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County, for the past five years in which data is available, is presented in the following table.

TABLE 26
COUNTY OF ALAMEDA
NUMBER OF PERMITS AND VALUATION OF
TAXABLE TRANSACTIONS
(shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	20,090	15,656,414	41,951	25,223,384
2007	19,554	15,664,940	42,014	25,831,140
2008	20,186	14,547,749	41,783	23,862,947
2009 (1)	24,596	12,641,415	38,663	20,430,195
2010 (1)	26,241	13,374,283	40,348	21,541,741

(1) Most recent data available is not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Community Facilities. San Leandro is home to over 50 City facilities, including five fire stations, the Marina Community Center, the Civic Center, a Senior Community Center, the Casa Peralta/History Museum, a Public Works Service Center, a Main Library and three outlying branch libraries, the Marina's Harbor Master Office, a Water Pollution Control Plant, a Boys and Girls Club with a pool and locker rooms, Farrelly Pool and the San Leandro Family Aquatics Center. The City maintains 17 City parks, which total approximately 110 acres. Additionally, the City is responsible for the day-to-day operation and maintenance of the San Leandro Marina, the Monarch Bay Golf Club and 315 acres of dedicated shoreline marshlands.

San Leandro Hospital is the City's full service hospital. The Alameda County Medical Center's psychiatric hospital, the John George Psychiatric Pavilion, is located in unincorporated San Leandro. Fairmont Hospital, located near the City, is an Acute Rehabilitation, Neuro-Respiratory and HIV care center. Also present within the City are Kindred SF Acute Care Hospital and All Saints Skilled Nursing Hospital. Kaiser Permanente had been working with the City for several years to develop a new hospital complex, which project will generate 3,000 new construction jobs in the City. The hospital is expected to open in 2014 and will replace the Kaiser Permanente Hayward Hospital. When complete, the six-story, state-of the art, 425,000-square-foot hospital will include 264 acute care beds, 10 operating rooms, 24-hour emergency services with 40 treatment rooms and a newborn intensive care nursery. A medical office building will house 116 offices for primary care

and specialty physicians, an outpatient procedure suite with six rooms, a pharmacy, a laboratory and radiology services.

Education. The San Leandro Unified School District provides K-12 and special education programs. The area also is served by several private and parochial schools. Berkeley City College, Canada College, the College of Alameda, City College of San Francisco, Chabot College, Contra Costa College, Diablo Valley College, Foothill College, Laney College, Los Medanos College, Merritt College, Ohlone College, the College of San Mateo, Skyline College and St. Mary's College are all within an hour's drive from the City. The University of California – Berkeley, California State University - East Bay, the University of San Francisco, San Francisco State University and Stanford University are also within an hour's drive from the City.

Transportation. Interstate Highway 580 (east-west), Interstate Highway 680 (north-south) and Highway 61 run in close proximity the City, and provide it access to the nearby cities of Oakland, San Francisco, Sacramento, San Jose, and the Central Valley.

San Leandro is located seven miles from the Oakland International Airport, 35 miles from San Jose Municipal Airport and 25 miles from San Francisco International Airport. Deep water shipping facilities are available at the Port of Oakland and the Port of San Francisco, 10 miles and 20 miles from the City, respectively.

The Alameda-Contra Costa Transit District provides regional bus service and connects with the Greyhound Terminal and two San Leandro Bay Area Rapid Transit (BART) stations. Two Bay Area Rapid Transit (BART) stations in the city connect San Leandro with San Francisco and cities in four county areas. San Leandro LINKS is a shuttle bus program for transporting employees in west San Leandro to and from the Downtown BART station. Three nearby international airports link San Leandro residents and businesses with every destination in the world. Oakland International Airport is just minutes away. The Port of Oakland, one of the West Coast's largest containerized cargo shipping facilities, is 10 miles north of the City. The Port's deep-water container terminal is the fourth largest and busiest in the nation, one of the top 40 container ports globally, and is served by over 35 shipping lines. San Leandro's prime location in the Bay Area benefits both the City residents and its business community.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____*
SAN LEANDRO PUBLIC FINANCING AUTHORITY
2013 REFUNDING LEASE REVENUE BONDS

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the City of San Leandro (the "City"), on behalf of itself and the San Leandro Public Financing Authority (the "Authority"), in connection with the issuance of the 2013 Refunding Lease Revenue Bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust dated as of January 1, 2013 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee for the Bonds (the "Trustee").

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the City's Fiscal Year (currently March 31 based on the City's Fiscal Year end of June 30).

"*Dissemination Agent*" shall mean, initially, U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"*Fiscal Year*" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official Fiscal Year period under a Certificate of the City filed with the Trustee.

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

* Preliminary, subject to change.

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

"*Significant Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2012, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

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

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding Fiscal Year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) summary of investments held in the City's investment portfolio for the most recently-completed fiscal year, including market value, book value and a description of any investments that do not comply with the City's investment policies;

(ii) general fund budget for the fiscal year during which the annual report is filed;

(iii) general fund balance sheet for the most recently-completed fiscal year;

(iv) general fund summary of revenues and expenditures for the most recently-completed fiscal year;

(v) general fund tax revenues by source for the most recently-completed fiscal year;

(vi) assessed valuation of property in the City for the most recently-completed fiscal year and, provided the City is not currently on the Teeter Plan (or its equivalent) and such information is available from the County, information about property tax levies and collections for the most recently completed fiscal year;

(vii) taxable transactions in the City for the most recently-completed fiscal year; and

(viii) description of the City's outstanding general fund debt and lease obligations as of the end of the most recently-completed fiscal year, including long-term general fund obligations.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be

necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all

of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Significant Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material." The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event's occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Significant Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City. Initially, the Trustee will act as dissemination hereunder.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City 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 Significant Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the City 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 Significant Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) Article VIII of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, 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 regarded as an original, and all of which shall constitute one and the same instrument.

Date: January __, 2013

CITY OF SAN LEANDRO

By : _____
Finance Director

ACKNOWLEDGED AND ACCEPTED

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By: _____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Leandro Public Financing Authority

Name of Issue: $____ 2013 Refunding Lease Revenue Bonds

Date of Issuance: January __, 2013

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated January __, 2013. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City, the Authority and the Underwriter takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC"), New York, New York, acts as securities depository for the Bonds. The Bonds were issued as fully–registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate was issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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 has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

While the Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Bonds of a maturity 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.

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

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

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

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

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Authority believes to be reliable, but neither the City, the Authority nor the Underwriter takes any responsibility for the accuracy thereof.

AMENDED AND RESTATED
REIMBURSEMENT AGREEMENT
(Joint Project Area)

by and between

SUCCESOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO

and the

CITY OF SAN LEANDRO, CALIFORNIA

Dated as of January 1, 2013

AMENDED AND RESTATED REIMBURSEMENT AGREEMENT
(Joint Project Area)

THIS AMENDED AND RESTATED REIMBURSEMENT AGREEMENT (Joint Project Area) (the "2013 Reimbursement Agreement"), dated as of January 1, 2013, by and between the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO, a public body corporate and politic (the "Successor Agency"), and the CITY OF SAN LEANDRO, a municipal corporation and chartered city organized and existing under the laws of the State of California (the "City");

W I T N E S S E T H:

WHEREAS, the Successor Agency is a duly constituted public body corporate and politic and is the successor agency to the Redevelopment Agency of the City of San Leandro (the "Agency"), which was a redevelopment agency under the laws of the State of California with the powers to engage in redevelopment activities necessary for the implementation of the Alameda County - City of San Leandro Redevelopment Project Area (the "Joint Project") under the provisions of the California Community Redevelopment Law (the "Law") and pursuant to the Redevelopment Plan for the Project (the "Joint Project Plan");

WHEREAS, the Joint Project Plan for the Joint Project provided for tax increment financing in accordance with the provisions of Chapter 6, Part 1 of Division 24 of the California Health and Safety Code and Section 16 of Article XVI of the Constitution of the State of California;

WHEREAS, the City, working together with the San Leandro Public Financing Authority (the "Authority"), assisted the Agency in undertaking various redevelopment activities within the boundaries of the Agency's Joint Project Area by causing the execution and delivery of its 2001 Certificates of Participation (Joint Project Area Financing) (the "2001 Certificates") evidencing lease payments (the "2001 Lease Payments") to be made by the City under a lease agreement dated as of December 1, 2001 (the "2001 Lease Agreement"), entered into between the City and the Authority;

WHEREAS, the Agency, pursuant to the Reimbursement Agreement (Joint Project Area) dated as of December 1, 2001 (the "2001 Reimbursement Agreement"), between the Agency and the City, agreed to provide for reimbursement to the City the moneys paid by the City as 2001 Lease Payments for the purpose of providing such assistance, and, to date, has made all such reimbursement payments due under the 2001 Reimbursement Agreement;

WHEREAS, in order to achieve debt service savings, the Authority and the City desire to prepay the 2001 Certificates and to prepay the City's obligations under the 2001 Lease Agreement and, to that end, among others, the Authority is issuing its 2013 Refunding Lease Revenue Bonds (the "2013 Bonds");

WHERAS, in connection with the issuance of the 2013 Bonds, the Authority, as lessor, and the City, as lessee, are entering into a Lease Agreement dated as of January 1, 2013 (the "2013 Lease Agreement");

WHEREAS, Appendix B to the 2013 Lease Agreement sets forth the portion of the Lease Payments (as defined in the 2013 Lease Agreement) relating to the prepayment of the 2001 Certificates and the prepayment of the 2001 Lease Payments (the "2001 Refunding Lease Payments");

WHEREAS, in order to encourage the City to enter into the 2013 Lease Agreement, prepay the 2001 Certificates and prepay the 2001 Lease Payments, thereby achieving debt service savings, the Successor Agency desires to continue the financial assistance provided through the 2001 Reimbursement Agreement by entering into, with the City, this 2013 Reimbursement Agreement; and

WHEREAS, the Successor Agency's Oversight Board and the Department of Finance of the State of California have approved the execution, delivery and performance of this 2013 Reimbursement Agreement by the Successor Agency; and

WHEREAS, the parties hereto, in consideration of their mutual undertakings, past and present, herein and otherwise, desire to provide for reimbursement to the City for the 2001 Refunding Lease Payments;

NOW, THEREFORE, in consideration of the mutual covenants herein contained it is agreed by and between the parties hereto, as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of this 2013 Reimbursement Agreement and of any amendment hereto, and of any certificate, opinion, estimate or other document herein mentioned, have the meanings herein specified. Any capitalized term not defined herein shall have the meaning given to such term elsewhere herein or in the 2013 Lease Agreement, as applicable.

"*Agency*" means the Redevelopment Agency of the City of San Leandro, a redevelopment agency and public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California.

"*Authority*" means the San Leandro Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

"*City*" means the City of San Leandro, California, a chartered law city and municipal Authority duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"*Joint Project*" means the Alameda County - City of San Leandro Redevelopment Project Area.

"*Law*" means the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California and the acts amendatory thereof and in supplement thereto. Whenever reference is made in this 2013 Reimbursement Agreement to the Law, reference is made to the Law as in force on the date of the execution of this 2013 Reimbursement Agreement, provided that, for purposes of the definition of Tax Increment Revenues only, the term Law shall refer to the Community Redevelopment Law of the State of California in effect as of the time of execution of the 2001 Reimbursement Agreement.

"*Successor Agency*" means the Successor Agency to the Redevelopment Agency of the City of San Leandro, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California.

"*Tax Increment Revenues*" means all taxes allocated to, and paid into a special fund of the Agency for the Joint Project pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, and as provided in the redevelopment plan for the Joint Project, including all payments and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding any amounts required to be used to improve the community's supply of low or moderate income housing pursuant to Section 33334.2 of the Law (or any successor or related Section of the Law).

"*2001 Refunding Lease Payments*" means the Lease Payments (as defined in the 2013 Lease Agreement) relating to the refunding of the 2001 Certificates and the prepayment of the 2001 Lease Payments, as set forth in Appendix B to the 2013 Lease Agreement

Section 2. Reimbursement.

(a) To assist the City in paying the 2001 Refunding Lease Payments, as set forth in Appendix B to the 2013 Lease Agreement, the Successor Agency and the City agree that Tax Increment Revenues shall be used and applied to repay the City for all such 2001 Refunding Lease Payments made by the City to the Authority under the 2013 Lease Agreement.

(b) Subject to pledges of Tax Increment Revenues heretofore made by the Agency, including the pledges made with respect to certain agreements set forth in Exhibit A hereto, or which may hereafter be made by the Successor Agency that the Successor Agency hereby determines will be paid on a basis senior to the payments due hereunder, the Successor Agency hereby agrees to make payments from Tax Increment Revenues to pay to the City an amount equal to the 2001 Refunding Lease Payments required to be made by the City to the Authority under the 2013 Lease Agreement (whether or not such payments are actually made or are subject to abatement) including the principal and interest components thereof, in each case on the dates and in the amounts set forth on Exhibit B hereto. In the event the Successor Agency does not have sufficient Tax Increment Revenues in a particular year to make such payment or any portion thereof, the City agrees to allow the Successor Agency to carry the balance forward until there is sufficient Tax Increment Revenues available to meet said obligation or the City may, in its discretion, waive such payment(s). The earliest payments carried forward shall be paid first from available Tax Increment Revenues and then the next payments due, until the Successor Agency has come current with the required payment schedule.

Section 3. Pledge and Assignment.

(a) Subject to the rights hereunder of the Successor Agency to issue additional parity and or subordinate tax allocation bonds or other obligations payable from Tax Increment Revenues, the Successor Agency hereby, for the security of the Successor Agency's payment obligation hereunder, pledges, pursuant to Section 34177.5(a)(3) of the California Health and Safety Code, the Tax Increment Revenue to the City, and creates a lien thereon, for the benefit of the City, and such lien shall be subject to no prior liens except those created pursuant to the obligations listed on Exhibit A hereto. Such pledge and lien shall have the same effect and

priority as the pledge and lien of Tax Increment Revenues made under the 2001 Reimbursement Agreement.

(b) The Successor Agency agrees that it will take all actions necessary under the Law to receive the Tax Increment Revenue.

Section 4. Additional Obligations. The Successor Agency shall not issue any bonds or other obligations payable from Tax Increment Revenues on a parity with the amounts due hereunder unless and until the Successor Agency shall first deliver to the City a certificate certifying that the amount of Tax Increment Revenues in the fiscal year that such bonds are issued, or other obligations are executed, is at least sufficient to pay the sum of the following:

(i) the largest amount due during any 12 month period ending September 1 with respect to the amounts listed in Exhibit A hereto;

(ii) the largest amount due hereunder during any 12 month period ending September 1; and

(iii) the largest debt service and other payments due on such bonds or other obligations during any 12 month period ending September 1.

Section 5. Term. The term of this 2013 Reimbursement Agreement shall commence on the date of recordation of the 2013 Lease Agreement in the Office of the County Recorder of Alameda County, State of California, and shall end on December 1, 2026, subject to the next two succeeding sentences. If on December 1, 2026, the aggregate amount of 2001 Refunding Lease Payments shall not have been paid, or provision shall not have been made for their payment, then the term of this 2013 Reimbursement Agreement shall be extended until such 2001 Refunding Lease Payments shall be fully paid or provision made for such payment. If, prior to December 1, 2026, all 2001 Refunding Lease Payments shall be fully paid or provision made for such payment in accordance with the 2013 Lease Agreement, the term of this 2013 Reimbursement Agreement shall end on such earlier date.

IN WITNESS HEREOF, the parties hereto have executed this (Joint Project Area) Reimbursement Agreement as of the day and year first above written.

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF SAN LEANDRO

By:_____
Executive Director

CITY OF SAN LEANDRO, CALIFORNIA

By:_____
City Manager

EXHIBIT A

PRIORITY LIEN AGREEMENTS

1. Agreement dated as of July 6, 1993, among the Redevelopment Agency of the City of San Leandro, the County of Alameda, the County of Alameda Library District, the County of Alameda Flood Control District and the Eden Fire Protection District.

2. Agreement dated as of October 4, 1993, between the Alameda – Contra Costa Transit District and the Redevelopment Agency of the City of San Leandro.

3. Agreement dated as of October 4, 1993, between the East Bay Regional Parks District and the Redevelopment Agency of the City of San Leandro.

4. Agreement dated as of November 22, 1993, between the Hayward Area Recreation and Park District and the Redevelopment Agency of the City of San Leandro.

5. Agreement dated as of July 21, 1993, between the Redevelopment Agency of the City of San Leandro and the Alameda County Superintendent of Schools.

6. Agreement dated as of July 21, 1993, between the Redevelopment Agency of the City of San Leandro and the San Leandro Unified School District.

7. Agreement dated as of July 21, 1993, between the Redevelopment Agency of the City of San Leandro and the San Lorenzo Unified School District.

8. Improvement and Reimbursement Agreement executed in December, 1994 between Westland Bay Fair Mall, L.P., and the San Leandro Redevelopment Agency, as amended by Amendment No. 1 dated as of June 15, 1998 between Bay Fair Mall, LLC and the Agency and Amendment No. 2 dated as of July 1, 2000 between Bay Fair Mall, LLC and the Agency.

9. Agreement Regarding Alameda County – City of San Leandro Redevelopment Project dated as of July 1, 1993, between the Agency and the County.

10. $27,530,000 initial aggregate principal amount of Redevelopment Agency of the City of San Leandro Alameda County - City of San Leandro Redevelopment Project Tax Allocation Bonds, Series 2008.

EXHIBIT B

Payment Date	Payment
May 25, 2013	
November 25, 2013	
May 25, 2014	
November 25, 2014	
May 25, 2025	
November 25, 2025	
May 25, 2016	
November 25, 2016	
May 25, 2017	
November 25, 2017	
May 25, 2018	
November 25, 2018	
May 25, 2019	
November 25, 2019	
May 25, 2020	
November 25, 2020	
May 25, 2021	
November 25, 2021	
May 25, 2022	
November 25, 2022	
May 25, 2023	
November 25, 2023	
May 25, 2024	
November 25, 2024	
May 25, 2025	
November 25, 2025	
May 25, 2026	
November 25, 2026	

IRREVOCABLE REFUNDING INSTRUCTIONS

Relating to:

City of San Leandro
2001 Certificates of Participation
(Joint Project Area Financing)

These IRREVOCABLE REFUNDING INSTRUCTIONS (these “Instructions”) are dated as of January 1, 2013 and are given by the SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), and the CITY OF SAN LEANDRO, a municipal corporation and chartered city duly organized and existing under the laws of the State of California (the "City") to U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee for the 2001 Certificates described below (the "2001 Trustee").

BACKGROUND

1. The Authority is issuing $_____ aggregate principal amount of its 2013 Refunding Lease Revenue Bonds (the "2013 Bonds") pursuant to an Indenture dated as of January 1, 2013 (the “Indenture”) between the Authority and U.S. Bank National Association, as trustee for the 2013 Bonds (the “2013 Trustee”).

3. The 2013 Bonds are being issued for the purpose, among others, of providing moneys sufficient to prepay the outstanding City of San Leandro 2001 Certificates of participation (Joint Project Area Financing) (the "2001 Certificates").

4. The 2001 Certificates are subject to prepayment on any date commencing December 1, 2010, and the Authority and the City have determined to prepay the 2001 Certificates on _____ __, 2013.

5. In order to accomplish the prepayment of the outstanding 2001 Certificates, the City will deposit, or cause to be deposited, a portion of the proceeds of the 2013 Bonds and certain other moneys with the 2001 Trustee in accordance with these Instructions.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. Creation of Escrow Fund. The 2001 Trustee is directed to establish a special and irrevocable escrow fund (the "Escrow Fund") to be held in the custody of the 2001 Trustee in trust for the benefit of the owners of the 2001 Certificates. The Escrow Fund will be held in trust solely for the benefit of the owners of the 2001 Certificates and the moneys and securities held in the Escrow Fund will be irrevocably set aside for the payment of the 2001 Certificates as provided herein. The Authority will have no interest in the funds or investments held in the Escrow Fund.

Section 2. Deposit to the Escrow Fund; Investment. The 2001 Trustee will deposit the amount of $_____ in the Escrow Fund, with $_____ to be derived from the

proceeds of the 2013 Bonds, and $_____ to be derived from a release of cash on deposit in the indenture relating to the 2001 Certificates. The 2001 Trustee will, on _____, ____, use $_____ of such amount to purchase certain securities and investments for the Escrow Fund, all as listed on Schedule A attached hereto and made a part hereof (which securities the Authority and the City represent are non-callable Federal Securities, as defined in the Trust Agreement dated as of December 1, 2001 (the "2001 Trust Agreement") among the 2001 Trustee, the Authority and the City) maturing on the dates and in the amounts necessary to make the transfers described in Section 3, and will retain $.__ in cash in the Escrow Fund.

Section 3. Instructions as to Payment of 2001 Certificates. The 2001 Trustee will apply the amounts held in the Escrow Fund for the sole purposes of prepaying the 2001 Certificates on _____ __, 2013, as set forth in Schedule B hereto, at a price of par, plus accrued interest.

The 2013 Trustee has no lien upon or right of set off against the securities and cash at any time on deposit in the Escrow Fund. Any moneys remaining in the Escrow Fund following prepaying of the 2001 Certificates as described above will be transferred to the 2013 Trustee for deposit in the Bond Fund relating to the 2013 Bonds.

Section 4. Notice of Redemption; Irrevocable Election to Prepay.

(a) The Authority hereby instructs the 2001 Trustee to give notice of the redemption of the 2001 Certificates identified in Schedule B hereto in accordance with the requirements of Section 4.03 of the 2001 Trust Agreement.

(b) In accordance with Section 13.01 of the 2001 Trust Agreement and Section 9.1 of the Lease Agreement dated as of December 1, 2001 (the "2001 Lease") between the Authority, as lessor, and the City, as lessee, the Authority and the City hereby signify that, by making the deposits in the Escrow Fund described in Section 2 above, it is discharging the 2001 Certificates identified in Schedule B. The Authority and the City further acknowledge that such deposit constitutes a full prepayment of the outstanding Lease Payments under the 2001 Lease.

Section 5. Compensation of 2001 Trustee. For acting under these Instructions, the 2001 Trustee will be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the 2001 Trustee in connection with its services under these Instructions; however, such amount will never be payable from or become a lien upon the Escrow Fund.

Section 6. Application of Certain Terms of 2001 Trust Agreement. All of the terms of the 2001 Trust Agreement relating to the payment and redemption of principal of and interest and redemption premium, if any, on the 2001 Certificates, and the protections, immunities and limitations from liability afforded the 2001 Trustee, are incorporated in these Instructions as if set forth in full herein.

Section 7. Counterparts. These Instructions may be signed in several counterparts, each of which will constitute an original, but all of which will constitute one and the same instrument.

SAN LEANDRO PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

CITY OF SAN LEANDRO

By _____
City Manager

Accepted:

U.S. BANK NATIONAL ASSOCIATION,
as 2001 Trustee

By: _____
Authorized Officer

SCHEDULE A

ESCROW FUND

Type	Coupon	Maturity	Par Amount	Total Purchase Price
United States Treasury Security -- State and Local Government Series	____%	February __, 2013	$_____	$_____

SCHEDULE B

2001 Certificates

Maturity Date (December 1)	Principal Amount	Interest Rate
2013	$180,000	4.35%
2014	185,000	4.50
2015	195,000	4.70
2016	205,000	4.75
2017	210,000	4.80
2026	2,465,000	5.10

IRREVOCABLE REFUNDING INSTRUCTIONS

Relating to:

City of San Leandro
2003 Certificates of Participation
(City Hall Refunding Project)

These IRREVOCABLE REFUNDING INSTRUCTIONS (these “Instructions”) are dated as of January 1, 2013 and are given by the SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), and the CITY OF SAN LEANDRO, a municipal corporation and chartered city duly organized and existing under the laws of the State of California (the "City") to U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee for the 2003 Certificates described below (the "2003 Trustee").

BACKGROUND

1. The Authority is issuing $_____ aggregate principal amount of its 2013 Refunding Lease Revenue Bonds (the "2013 Bonds") pursuant to an Indenture dated as of January 1, 2013 (the “Indenture”) between the Authority and U.S. Bank National Association, as trustee for the 2013 Bonds (the “2013 Trustee”).

3. The 2013 Bonds are being issued for the purpose, among others, of providing moneys sufficient to prepay the outstanding City of San Leandro 2003 Certificates of participation (City Hall Refunding Project) (the "2003 Certificates").

4. The 2003 Certificates are subject to prepayment on any date commencing June 1, 2013, and the Authority and the City have determined to prepay the 2003 Certificates on said date.

5. In order to accomplish the prepayment of the outstanding 2003 Certificates, the City will deposit, or cause to be deposited, a portion of the proceeds of the 2013 Bonds and certain other moneys with the 2003 Trustee in accordance with these Instructions.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. Creation of Escrow Fund. The 2003 Trustee is directed to establish a special and irrevocable escrow fund (the "Escrow Fund") to be held in the custody of the 2003 Trustee in trust for the benefit of the owners of the 2003 Certificates. The Escrow Fund will be held in trust solely for the benefit of the owners of the 2003 Certificates and the moneys and securities held in the Escrow Fund will be irrevocably set aside for the payment of the 2003 Certificates as provided herein. The Authority will have no interest in the funds or investments held in the Escrow Fund.

Section 2. Deposit to the Escrow Fund; Investment. The 2003 Trustee will deposit the amount of $_____ in the Escrow Fund, with $_____ to be derived from the proceeds of the 2013 Bonds, and $_____ to be derived from a release of cash on

deposit in the indenture relating to the 2003 Certificates. The 2003 Trustee will, on _____ __, 2013, use $_____ of such amount to purchase certain securities and investments for the Escrow Fund, all as listed on Schedule A attached hereto and made a part hereof (which securities the Authority and the City represent are non-callable Federal Securities, as defined in the Trust Agreement dated as of May 1, 2003 (the "2003 Trust Agreement") among the 2003 Trustee, the Authority and the City) maturing on the dates and in the amounts necessary to make the transfers described in Section 3, and will retain $.__ in cash in the Escrow Fund.

Section 3. Instructions as to Payment of 2003 Certificates. The 2003 Trustee will apply the amounts held in the Escrow Fund for the sole purposes of paying debt service on the 2003 Certificates coming due on June 1, 2013 and prepaying the 2003 Certificates maturing on and after June 1, 2014 on June 1, 2013, as set forth in Schedule B hereto, at a price of 101% of the par amount thereof, plus accrued interest.

The 2003 Trustee has no lien upon or right of set off against the securities and cash at any time on deposit in the Escrow Fund. Any moneys remaining in the Escrow Fund following prepaying of the 2003 Certificates as described above will be transferred to the 2013 Trustee for deposit in the Bond Fund relating to the 2013 Bonds.

Section 4. Notice of Redemption; Irrevocable Election to Prepay.

(a) The Authority hereby instructs the 2003 Trustee to give notice of the redemption of the 2003 Certificates identified in Schedule B hereto in accordance with the requirements of Section 4.03 of the 2003 Trust Agreement.

(b) In accordance with Section 13.01 of the 2003 Trust Agreement and Section 9.1 of the Lease Agreement dated as of May 1, 2003 (the "2003 Lease") between the Authority, as lessor, and the City, as lessee, the Authority and the City hereby signify that, by making the deposits in the Escrow Fund described in Section 2 above, it is discharging the 2003 Certificates identified in Schedule B. The Authority and the City further acknowledge that such deposit constitutes a full prepayment of the outstanding Lease Payments under the 2003 Lease.

Section 5. Compensation of 2003 Trustee. For acting under these Instructions, the 2003 Trustee will be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the 2003 Trustee in connection with its services under these Instructions; however, such amount will never be payable from or become a lien upon the Escrow Fund.

Section 6. Application of Certain Terms of 2003 Trust Agreement. All of the terms of the 2003 Trust Agreement relating to the payment and redemption of principal of and interest and redemption premium, if any, on the 2003 Certificates, and the protections, immunities and limitations from liability afforded the 2003 Trustee, are incorporated in these Instructions as if set forth in full herein.

Section 7. Counterparts. These Instructions may be signed in several counterparts, each of which will constitute an original, but all of which will constitute one and the same instrument.

SAN LEANDRO PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

CITY OF SAN LEANDRO

By _____
City Manager

Accepted:

U.S. BANK NATIONAL ASSOCIATION,
as 2003 Trustee

By: _____
Authorized Officer

SCHEDULE A

ESCROW FUND

Type	Coupon	Maturity	Par Amount	Total Purchase Price
United States Treasury Security -- State and Local Government Series	____%	_____ _, 2013	$_____	$_____

SCHEDULE B

2003 Certificates

Maturity Date (June 1)	Principal Amount	Interest Rate
2013*	$400,000	5.000%
2014	420,000	5.000
2015	440,000	5.000
2016	465,000	5.000
2017	490,000	5.000
2018	510,000	5.000
2019	540,000	5.000
2020	565,000	5.000
2024	2,555,000	5.000
2028	3,105,000	5.000

* To be paid at maturity

AFTER RECORDATION RETURN TO:

JONES HALL,
A PROFESSIONAL LAW CORPORATION
650 California Street, 18th Floor
San Francisco, CA 94108
Attention: Stephen G. Melikian, Esq.

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.

TERMINATION AGREEMENT

This TERMINATION AGREEMENT (this "Agreement") is dated as of January 1, 2013, and is by and among the CITY OF SAN LEANDRO, a chartered city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee for the 2001 Certificates described herein (the "2001 Trustee").

W I T N E S S E T H :

WHEREAS, the Authority and the City have heretofore caused the execution and delivery of 2001 Certificates of Participation (Join Project Area Financing) (the "2001 Certificates") evidencing the direct, undivided fractional interest of the owner thereof in lease payments to be made by the City as the rental for certain property described in Exhibit A hereto pursuant to a Lease Agreement dated as of December 1, 2001 (the "2001 Lease Agreement") with the Authority; and

WHEREAS, in connection with the execution and delivery of the 2001 Certificates, the City and the Authority entered into the following documents:

(i) Site and Facility Lease dated as of December 1, 2001, between the City, as lessor, and the Authority, as lessee, recorded on December 12, 2001 in the Official Records of Alameda County as document number 2001483112 (the "2001 Site Lease");

(ii) 2001 Lease Agreement;

(iii) Memorandum of Lease Agreement dated as of December 1, 2001, between the Authority, as sublessor, and the City, as sublessee, recorded on December 12, 2001 in the Official Records of Alameda County as document number 2001483113 (the "2001 Memorandum of Lease"); and

(iv) Assignment Agreement dated as of December 1, 2001, between the Authority and the 2001 Trustee, recorded on December 12, 2001 in the Official Records of Alameda County as document number 2001483114 (the "2001 Assignment Agreement");

WHEREAS, pursuant to Section 9.1 of the 2001 Lease Agreement, the City has deposited with the 2001 Trustee funds which are sufficient to provide for the prepayment of the lease payments due under the 2001 Lease Agreement, and the corresponding prepayment of the 2001 Certificates, on _____ __, 2013, which has the effect of terminating the 2001 Lease Agreement of record against the properties which are leased thereunder; and

NOW, THEREFORE, in consideration of the foregoing and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree:

Section 1. Termination.

(a) By virtue of the deposit with the 2001 Trustee of funds sufficient to pay and prepay in full the 2001 Lease Payments, (i) all obligations of the City under the 2001 Lease Agreement has ceased and terminated, excepting only the obligation of the City to make, or cause to be made, all payments from the deposit made by the City pursuant to Section 9.1 of the 2001 Lease Agreement, (ii) the term of the 2001 Lease Agreement and the 2001 Site Lease have terminated, and (iii) title to the property that is subject to the 2001 Lease Agreement shall vest in the City on the date of said deposit automatically and without further action by the City or the Authority.

(b) In accordance with the foregoing, the 2001 Lease Agreement, the 2001 Site Lease, the 2001 Memorandum of Lease and the 2001 Assignment are each hereby terminated and are of no further force or effect.

(c) From and after the date hereof, none of the parties shall have any further rights or obligations under the 2001 Lease Agreement, the 2001 Site Lease, the 2001 Memorandum of Lease or the 2001 Assignment.

Section 2. Execution in Counterparts. This Termination 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 instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Termination Agreement.

CITY OF SAN LEANDRO,

By _____
Chris Zapata,
City Manager

Attest:

_____
Marian Handa
City Clerk

SAN LEANDRO PUBLIC FINANCING AUTHORITY,

By _____
Chris Zapata,
Executive Director

Attest:

_____
Marian Handa
Secretary

U.S. BANK NATIONAL ASSOCIATION, *as 2001 Trustee*

By _____
Authorized Officer

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

AFTER RECORDATION RETURN TO:

JONES HALL,
A PROFESSIONAL LAW CORPORATION
650 California Street, 18th Floor
San Francisco, CA 94108
Attention: Stephen G. Melikian, Esq.

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.

TERMINATION AGREEMENT

This TERMINATION AGREEMENT (this "Agreement") is dated as of January 1, 2013, and is by and among the CITY OF SAN LEANDRO, a chartered city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), SAN LEANDRO PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee for the 2003 Certificates described herein (the "2003 Trustee").

W I T N E S S E T H :

WHEREAS, the Authority and the City have heretofore caused the execution and delivery of 2003 Certificates of Participation (City Hall Refunding Project) (the "2003 Certificates") evidencing the direct, undivided fractional interest of the owner thereof in lease payments to be made by the City as the rental for certain property described in Exhibit A hereto pursuant to a Lease Agreement dated as of May 1, 2003 (the "2003 Lease Agreement") with the Authority; and

WHEREAS, in connection with the execution and delivery of the 2003 Certificates, the City and the Authority entered into the following documents:

(i) Site and Facility Lease dated as of May 1, 2003, between the City, as lessor, and the Authority, as lessee, recorded on May 20, 2003 in the Official Records of Alameda County as document number 2003293674 (the "2003 Site Lease");

(ii) 2003 Lease Agreement;

(iii) Memorandum of Lease Agreement dated as of May 1, 2003, between the Authority, as sublessor, and the City, as sublessee, recorded on May 20, 2003 in the Official Records of Alameda County as document number 2003293675 (the "2003 Memorandum of Lease"); and

(iv) Assignment Agreement dated as of May 1, 2003, between the Authority and the 2003 Trustee, recorded on May 20, 2003 in the Official Records of Alameda County as document number 2003293676 (the "2003 Assignment Agreement");

WHEREAS, pursuant to Section 9.1 of the 2003 Lease Agreement, the City has deposited with the 2003 Trustee funds which are sufficient to provide for the payment and prepayment of the lease payments due under the 2003 Lease Agreement, and the corresponding payment and prepayment of the 2003 Certificates, through and including June 1, 2013, which has the effect of terminating the 2003 Lease Agreement of record against the properties which are leased thereunder; and

NOW, THEREFORE, in consideration of the foregoing and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree:

Section 1. Termination.

(a) By virtue of the deposit with the 2003 Trustee of funds sufficient to pay and prepay in full the 2003 Lease Payments, (i) all obligations of the City under the 2003 Lease Agreement has ceased and terminated, excepting only the obligation of the City to make, or cause to be made, all payments from the deposit made by the City pursuant to Section 9.1 of the 2003 Lease Agreement, (ii) the term of the 2003 Lease Agreement and the 2003 Site Lease have terminated, and (iii) title to the property that is subject to the 2003 Lease Agreement shall vest in the City on the date of said deposit automatically and without further action by the City or the Authority.

(b) In accordance with the foregoing, the 2003 Lease Agreement, the 2003 Site Lease, the 2003 Memorandum of Lease and the 2003 Assignment are each hereby terminated and are of no further force or effect.

(c) From and after the date hereof, none of the parties shall have any further rights or obligations under the 2003 Lease Agreement, the 2003 Site Lease, the 2003 Memorandum of Lease or the 2003 Assignment.

Section 2. Execution in Counterparts. This Termination 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 instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Termination Agreement.

CITY OF SAN LEANDRO,

By _____
Chris Zapata,
City Manager

Attest:

_____
Marian Handa
City Clerk

SAN LEANDRO PUBLIC FINANCING AUTHORITY,

By _____
Chris Zapata,
Executive Director

Attest:

_____
Marian Handa
Secretary

U.S. BANK NATIONAL ASSOCIATION, *as 2003 Trustee*

By _____
Authorized Officer

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY