



**NOTICE OF AND AGENDA FOR
SPECIAL MEETING OF THE CITY COUNCIL
TOWN OF COLMA**

**Colma Community Center
1520 Hillside Boulevard
Colma, CA 94014**

**Wednesday, July 22, 2015
6:00 p.m.**

NOTICE IS HEREBY GIVEN that the City Council of the Town of Colma will hold a Special Meeting at the above time and place for transacting the following business:


**1. NEW BUSINESS: Approval of Certificates of Participation to Finance
Town Hall Renovation**

Consider: Motion to Adopt a Resolution of the City Council of the Town of Colma Authorizing the Issuance and Sale of its 2015 Certificates of Participation, Authorizing Execution and Delivery by the Town of a Lease Agreement, a Trust Agreement, Approving a Notice of Sale and a Continuing Disclosure Agreement and the Preparation and Delivery of a Preliminary Official Statement and Final Official Statement with Respect to the Issuance and Sale of Such Certificates of Participation, Appointing a Trustee and Making Other Findings Relating Thereto, All Pursuant to CEQA Guidelines 15303, 15331 and 15332.

2. NEW BUSINESS: Nonprofit Grant Category Funding Levels

Consider: Motion to Establish Funding Categories for Grants to Nonprofits as Presented By Staff.

Posted: 7/17/15


Caitlin Corley, Interim City Clerk





STAFF REPORT

TO: Mayor and Members of the City Council

FROM: Sean Rabé, City Manager
Charles Francis, Finance Director
NHA Advisors, Municipal Finance Advisor
Best, Best & Krieger, Bond Counsel

MEETING DATE: July 22, 2015

SUBJECT: Approval of Certificates of Participation to Finance Town Hall Renovation

STAFF RECOMMENDATION

Staff recommends that the City Council adopt the following resolution:

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

EXECUTIVE SUMMARY

The Town is completing the design and engineering of the improvements to the Town Hall and expects to fund a portion of the Project with existing Town cash reserves as well as proceeds from a COP financing prior to bidding the Project. This plan will meet all of the financial goals for the Town, which includes retaining the largest reserve possible (as a percentage of expenditures) and maintaining a balanced budget from FY 2019/20 and beyond.

The proposed financing plan was presented to the City Council at a study session at the July 15, 2015 meeting. The financing plan assumes \$4.75 million in COP proceeds are used to fund a portion of the Project costs. The balance will be funded from Town reserves and will be dependent on the final cost of the Project. The COP proceeds will be drawn down prior to any Town funds.

FISCAL IMPACT

The anticipated total par amount for the COPs is anticipated to be approximately \$5,300,000, \$5,000,000 of which will be used to fund Town Hall Renovation Project. Transaction costs are estimated to total \$200,000 (\$150,000 for costs of issuance and \$50,000 for underwriter fees). In addition, approximately \$350,000 of the proceeds will be used to fund a debt service reserve fund. However, this reserve fund serves as a credit for the final COP payments in FY 2044/45.

BACKGROUND

The attached COP documents were presented to Council at the July 15, 2015 Council meeting. Council directed the City Manager to prepare the final documents for approval at the July 22, 2015 Special Meeting.

ANALYSIS

By financing the Town Hall improvements by issuing \$5.3 million of COPs, and using \$8.25 million of Town reserves, the City would remain structurally balanced in continuing to provide an excellent level of service to its citizens and continuing with its capital improvement program.

Based on the initial analysis by the Town's Municipal Advisor, the following tables present the Sources and Uses of Funds, Interest Costs and Debt Service Payments:

Financing Sources	
COP Principal	\$5,300,000
Town Cash Reserves	<u>8,250,000</u>
Total Available Funds	\$13,550,000
Uses of Funds	
Project Fund	\$13,000,000
Debt Service Reserve Fund	350,000
Financing Costs	150,000
Underwriting Fees	<u>50,000</u>
	\$13,550,000

Financing Team

COP transactions require the professional assistance of the same municipal finance industry professionals who assist in conventional bond offerings: investment bankers, bond counsel, municipal advisors, rating agencies, and others. COP transactions also require a trustee to collect and disburse lease (or installment sale) payments to multiple investors.

Bond Counsel:

Best Best & Krieger LLP – (Need firm description)

Municipal Advisor:

NHA Advisors, LLC – Mr. Craig Hill has served as Municipal Advisor to the City since 2003 and throughout the recently Town Hall Renovation Project financing discussions. NHA Advisors provides municipal advisory services to over 50 public agencies throughout California with a focus on local government and special districts including many agencies in Marin County.

Underwriter:

To be determined – staff is proposing to work with NHA Advisors to seek proposals for underwriting services and negotiate the sale of COP at the appropriate time to produce the lowest true interest cost in the market on the day of the sale.

Underwriter's Counsel:

To be determined – Underwriter's counsel is customarily selected by the underwriter to represent the underwriter and its interests in a negotiated sale. Underwriter's counsel will

customarily review, from the underwriter's perspective the documents prepared by bond counsel, and will negotiate matters relating to those documents on behalf of the underwriter.

Trustee:

To be determined - a trustee acts in a fiduciary relationship to both the issuer and the Certificate of Participation holders, since both are beneficiaries of the trust established by the bond indenture.

Certificates of Participation Documents

Site and Facility Lease

Under this agreement, the City will lease the Town Hall to the Public Private Financing Corporation.

Lease Agreement

Under this agreement, the City will lease the Town Hall from the Public Private Financing Corporation; will agree to make semi-annual lease payments; and will agreement to comply with certain covenants, including maintaining Town Hall.

Assignment Agreement

Under this agreement, the Public Private Financing Corporation will assign to the Trustee its right to receive lease payments from the City and the City will then make such payments directly to the Trustee.

Trust Agreement

This agreement is between the Town of Colma and Trustee. The agreement includes provisions that (i) authorizes the issuance of the COPs, (ii) describes the terms of such COP, (iii) contains certain covenants, (iv) pledges revenue and (v) appoints the Trustee to serve as Trustee for the payment of the Town of Colma COP.

Preliminary Official Statement

This is the offering document by which the Underwriters will market the Town of Colma's COP, It describes the financing, the use of proceeds, security and sources of repayment, the City's leases, various risk factors and other matters that a potential investor may consider relevant in its decision to purchase the COP. The Preliminary Official Statement will be in substantially final form, except for the interest rates and final amounts by maturity, which will be known only after the competitive sale.

Certificate Purchase Agreement

Pursuant to this document, the Underwriter agrees to purchase the COP in specified amounts and at specified rates.

Continuing Disclosure Certificates

This document sets forth the responsibility of the City to provide an annual report to the marketplace. The annual report consists of audited City financial statements and updates of certain information provided in the Official Statement. There will be two Continuing Disclosure Certificates, one for each series of the COP.

VALUES

Adoption of the recommended motion is consistent with the Council's value of responsibility because it is providing for supplemental appropriations after taking into consideration the financial impacts of the project and the long-term financial stability of the Town.

ALTERNATIVES

The Council could chose to not direct staff to proceed with the issuance of COP. Doing so is not recommended, however, as that action would either prevent the Town Hall Renovation Project from moving forward; or would result in 100% cash financing of the Town Hall Renovation project and that would destabilize the City's financial structural balance.

CONCLUSION

It is recommended that the City Council adopt the attached resolution, which authorizes the issuance and sale of its 2015 certificates of participation, authorizes execution and delivery by the Town of a lease agreement, a trust agreement, approves a notice of sale and a continuing disclosure agreement and the preparation and delivery of a preliminary official statement and final official statement with respect to the issuance and sale of such certificates of participation, appoints a trustee and makes other findings relating thereto.

Staff is prepared to answer any questions you may have.

ATTACHMENTS:

- A. Resolution
- B. Trust Agreement
- C. Lease Agreement
- D. Certificate Purchase Agreement
- E. Continuing Disclosure Agreement
- F. Preliminary Official Statement

**RESOLUTION NO. 2015-___
OF THE CITY COUNCIL OF THE TOWN OF COLMA**

RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF COLMA, CALIFORNIA, AUTHORIZING THE EXECUTION, SALE AND DELIVERY OF ITS 2015 CERTIFICATES OF PARTICIPATION, AUTHORIZING EXECUTION AND DELIVERY BY THE TOWN OF A LEASE AGREEMENT, A TRUST AGREEMENT, A CERTIFICATE PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT AND APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE APPROVAL OF A FINAL OFFICIAL STATEMENT WITH RESPECT TO THE SALE OF SUCH CERTIFICATES OF PARTICIPATION, APPOINTING A TRUSTEE AND MAKING OTHER FINDINGS RELATING THERETO ALL PURSUANT TO CEQA GUIDELINES 15303, 15331 AND 15332

WHEREAS, the Town of Colma (the "Town") has requested that the Public Property Financing Corporation of California (the "Corporation") participate with the Town in the financing of the renovation of the town hall (the "Project"); and

WHEREAS, in order to provide moneys to finance the Project, the Town and the Corporation propose (i) to enter into a Lease Agreement (the "Lease Agreement") under which the Town will lease the property upon which the Town's police station is located and all of the improvements thereon (the "Leased Premises") to the Corporation, and further under which the Town will lease back from the Corporation the Leased Premises; and (ii) together with the Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee") propose to enter into a Trust Agreement under which, among other things, the Corporation will assign and transfer to the Trustee certain of its rights under the Lease Agreement including the right to receive lease payments and will authorize the execution, sale and delivery of not to exceed \$5,500,000 aggregate principal amount of Town of Colma 2015 Certificates of Participation (Town Hall Improvement Project) (the "Certificates") evidencing a proportionate interest in the lease payments to be made by the Town under the Lease Agreement; and

WHEREAS, this City Council has determined to sell the Certificates to an underwriter selected through a competitive selection process in advance of setting the interest rates; and

WHEREAS, this City Council desires to approve the form of a Preliminary Official Statement and provide for the approval of a Final Official Statement relating to the Certificates and authorize the distribution thereof;

THE CITY COUNCIL OF THE TOWN OF COLMA DOES HEREBY RESOLVE:

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

Section 2. Approval of Issuance of Certificates of Participation. The execution, sale and delivery of the Town's 2015 Certificates of Participation is hereby approved. The City Council hereby approves the negotiated sale of the Certificates provided that (i) the final principal amount of the Certificates shall not to exceed \$5,500,000; (ii) the true interest cost of the Certificates shall not exceed 5.00%; and (iii) the underwriter's discount for the purchase of the Certificates shall not exceed 1.25%.

Section 3. Legal Documents. The forms of the agreements listed below which have been presented to this meeting are hereby approved and the Mayor or the City Manager is hereby authorized and directed for and in the name and on behalf of the Town to execute and deliver said agreements in the name of and on behalf of the Town in the form hereby approved with such changes as the officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof:

1. The Trust Agreement
2. The Lease Agreement
3. Certificate Purchase Agreement
4. The Continuing Disclosure Agreement

Section 4. Award of Sale of Certificates. The City Council hereby approves the sale of the Certificates to the underwriter selected by the City Manager (the "Underwriter") through a competitive selection process to be undertaken by NHA, the Town's financial advisor (the "Financial Advisor"), provided that the sale of the Certificates to such underwriter shall conform to the requirements set forth in Section 1 above.

Section 5. Official Statement. The City Council hereby approves the form of the preliminary official statement (the "Preliminary Official Statement") as presented to this City Council, with such changes, insertions and omissions thereto as may be approved by the City Manager as provided herein. Pursuant to Rule 15c2 12 under the Securities Exchange Act of 1934 (the "Rule"), the City Manager is authorized and directed for and on behalf of the Town to review and approve any amendments to the Preliminary Official Statement, provided that he shall have determined, after consultation with Best Best & Krieger LLP, as disclosure counsel (the "Disclosure Counsel"), the City Attorney, the Financial Advisor and such other persons as he may deem appropriate, that such Preliminary Official Statement fairly and accurately presents the information required to be set forth therein and to certify that the Preliminary Official Statement as distributed is deemed to be "near final" within the meaning of the Rule. The City Manager is further authorized and directed to review, sign and approve distribution of the Final Official Statement, to consist of the Preliminary Official Statement and such changes thereto as may be approved by the City Manager, upon the advice of Disclosure Counsel and Town Attorney.

Section 7. Trustee. The Bank of New York Mellon Trust Company, N.A., is hereby appointed as Trustee pursuant to the Trust Agreement, to take any and all action provided therein to be taken by the Trustee, and is further designated and appointed as paying agent for the Certificates.

Section 8. Form of Certificates. The form of the Certificates as set forth in the Trust Agreement is hereby approved, and the Trustee is hereby authorized to execute and deliver the Certificates in an aggregate principal amount as set forth in the Trust Agreement and to apply and expend the proceeds thereof as specified in the Trust Agreement.

Section 9. Requisitions. The City Manager is hereby authorized and directed to execute one or more requisitions authorizing the Trustee to pay the cost of issuing the Certificates,

including the costs of certificate insurance and reserve fund surety, if any, obtained in connection with the Certificates, from the proceeds of the Certificates pursuant to the Trust Agreement.

Section 10. Other Acts. The Mayor, the City Clerk, the City Manager and any designee of the City Manager are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents which, in consultation with Best Best & Krieger as Special Counsel and City Attorney and the Financial Advisor, they may deem necessary or advisable in order to consummate the sale and delivery of the Certificates, to obtain municipal bond insurance, or otherwise to effectuate the purposes of this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 11. Effective Date. This Resolution shall take effect immediately upon adoption.

Certification of Adoption

I certify that the foregoing Resolution No. 2015-__ was duly adopted at a regular meeting of said City Council held on _____, 2015 by the following vote:

Name	Counted toward Quorum			Not Counted toward Quorum	
	Aye	No	Abstain	Present, Recused	Absent
Joanne del Rosario, Mayor					
Diana Colvin					
Helen Fisticaro					
Raquel Gonzalez					
Joseph Silva					
Voting Tally					

Dated _____

Joanne del Rosario, Mayor

Attest: _____
Sean Rabé, City Clerk



TRUST AGREEMENT

RELATING TO TOWN OF COLMA
2015 CERTIFICATES OF PARTICIPATION
(TOWN HALL IMPROVEMENT PROJECT)

Dated as of August 1, 2015

by and among

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

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

and

THE TOWN OF COLMA

TRUST AGREEMENT

THIS AGREEMENT, dated as of August 1, 2015, by and among **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association duly organized and existing under the laws of the United States of America (the “Trustee”), **PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**, a California nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”), and the **TOWN OF COLMA**, municipal corporation, duly organized and existing under its charter and the Constitution and laws of said State (the “Town”);

WITNESSETH

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

WHEREAS, the Town intends to lease certain public improvements owned by the Town (the “Leased Premises”) to the Corporation and to lease the Leased Premises back from the Corporation and the Town is authorized pursuant to the laws of the State of California to enter into leasehold agreements for such purpose; and

WHEREAS, the Corporation and the Town purpose to lease and lease back the Leased Premises as provided in the Lease Agreement dated as of August 1, 2015 (the “Lease Agreement”), such lease back to the Town being for the purpose (among others) of providing amounts sufficient to provide for the payment of the principal of and interest on the Certificates (as defined herein); and

WHEREAS, for the purpose of providing moneys to acquire the Leased Premises the Town proposes to cause to be issued \$_____ aggregate principal amount 2015 Certificates of Participation (Town Hall Improvement Project) under this Trust Agreement; and

WHEREAS, all the conditions to the execution and delivery of this Trust Agreement have been satisfied and the trustee, the Corporation and the Town are duly authorized to execute and delivery this Trust Agreement; and

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

**ARTICLE I
DEFINITIONS**

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

“Certificates of Participation” or “Certificates” means the \$_____ aggregate principal amount of Town of Colma 2015 Certificates of Participation (Town Hall Improvement Project) to be executed and delivered pursuant to this Agreement.

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

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

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

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

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

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

“Defeasance Obligations” means any of the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - U.S. treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA)
 - State and Local Government Series

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

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

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

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

“Information Services” means, in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>), or such service or services as the Town may designate in a certificate delivered to the Trustee.

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

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

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

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

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

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

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

“Original Purchaser” means [_____], as original purchaser of the Certificates.

“Outstanding,” when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 10.03 hereof) all Certificates theretofore executed and delivered by the Trustee under this Agreement except:

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

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

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

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

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

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

(1) Defeasance Obligations

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

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

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

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

(4) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which may include the Trustee and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

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

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

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

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

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

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

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

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

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

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

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

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

(i) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within ten (10) business days after the provider's receipt of a written request from the Fiscal Agent to satisfy the foregoing, either (a) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the Town, the Trustee, or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at one hundred five percent (105%) of securities identified in clauses (1) and (2) of this definition; or (b) assign the investment agreement and all of its obligations thereunder to, or enter into a repurchase agreement or such other agreement with a financial institution mutually acceptable to the provider in the Town which is rated either in the first or second highest category by Standard & Poor's and Moody's; and

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

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

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

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

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

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

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

(A) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, [_____];

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

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

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

"Principal Corporate Trust Office" means the principal corporate trust office of the Trustee at [_____] except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

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

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

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

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

"Reserve Fund" means the fund by that name established and held by the Trustee pursuant to Article VI hereof.

“Reserve Requirement” means as of any date of calculation an amount equal to the least of (i) 10 percent of the proceeds of the Certificates, (ii) maximum aggregate Lease Payments required to be paid in any Certificate Year, or (iii) 125 percent of the average annual Lease Payment.

“Securities Depositories” means the following registered securities depositories: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax - 516/227-4039 or 4190; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may designate in a certificate of the Authority delivered to the Trustee.

“State” means the State of California.

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

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

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

“Town” means the Town of Colma, a municipal corporation, duly organized and existing under the Constitution and laws of the State of California.

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

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

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

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

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

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

(a) All estate, right, title and interest of the Corporation in and to and (except for the Corporation's rights set forth in Sections 5.8, 7.3 and 9.5 of the Lease Agreement) all duties and obligations of the Corporation under the Lease Agreement, including, without limitation, all Lease Payments and Additional Costs payable under such Lease Agreement and including all rights of the Corporation to exercise any election or option or to make any decision or determination or to give any notice, consent, waiver or approval under or in respect of the Lease Agreement as well as all rights, powers and remedies on the part of the Corporation, whether arising under the Lease Agreement or by statute or at law or in equity, or otherwise, arising out of any event of default (as that term is defined in the Lease Agreement);

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

(c) all proceeds of the foregoing.

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

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

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

**ARTICLE II
THE CERTIFICATES OF PARTICIPATION**

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

Section 2.02. Date. Each Certificate shall be dated as of August __, 2015, and interest with respect thereto shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from the date of its execution; or (ii) it is executed after a Regular Record Date and before the next following Record Date, in which event interest with respect thereto shall be payable from the Interest Payment Date immediately succeeding the date of its execution; or (iii) it is executed prior to [_____] 15, 2015 in which event interest with respect thereto shall be payable from [_____ 1, 2015], provided, however, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest with respect to such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Such interest amounts are payable in lawful money of the United States of America by check or draft mailed on the applicable Interest Payment Date by first class mail by the Trustee to the Registered Owner thereof at his address as it appears on the registration books of the Trustee, or by wire transfer to owners of \$1,000,000 or more in aggregate principal amount at such wire transfer address as such owner shall specify in writing requiring payment by wire transfer to the Trustee not less than twenty days prior to such Interest Payment Date.

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

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

Interest with respect to the Certificates shall be payable on [_____] 1], 2015 and thereafter semiannually on [_____] 1] and [_____] 1] of each year to and including the date of maturity or prepayment, whichever is earlier. Said interest shall represent the portion of the Lease Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Certificates. The proportionate share of the portion of Lease Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Lease Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate.

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

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

Section 2.07. Application of Proceeds and Transferred Funds.

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

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

Section 2.08. Transfer and Exchange.

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

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

Section 2.09. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity, as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out its duties under this Section. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Agreement with all other Certificates secured by this Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate in exchange for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate.

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

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

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

association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

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

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

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

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

Section 2.14. Book-Entry Certificates.

(a) The Certificates shall be initially executed and delivered in the form of a single, separate fully registered Certificate (which may be typewritten) in the full aggregate principal amount for each maturity of the Certificates, and upon initial execution and delivery, the ownership of such Certificates shall be registered in the Certificate register in the name of Cede & Co., as nominee of DTC, the initial Book-Entry Depository. Except as provided in the immediately preceding sentence or in subsection (e) of this Section, all of the Certificates shall be registered in the Certificate register in the name of Cede & Co., or such other nominee of DTC or any successor Book-Entry Depository or the nominee thereof, as shall be specified pursuant to the applicable Representation Letter.

(b) With respect to Certificates registered in the Certificate register in the name of the Book-Entry Depository, or its nominee, the Town shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, the Town shall have no responsibility or obligation with respect to the accuracy of the records of the Book-Entry Depository, the nominee of the Book-Entry Depository or any Participant with respect to any ownership interest in the Certificates, the delivery to any Participant or any other Person, other than a Holder as shown in the Certificate register, of any notice with respect to the Certificates, or the payment to any Participant or any other person, other than an Owner as shown in the

Certificate register, of any amount with respect to principal of or interest on the Certificates. The Town may treat and consider the person in whose name each Certificate is registered in the Certificate register as the Owner and absolute owner of such Certificate for the purpose of payment of principal and interest on such Certificate and for all other purposes whatsoever.

(c) The Trustee shall pay all principal of and interest with respect to the Certificates only to or upon the order of the respective Owners, as shown in the Certificate register on the applicable Record Date, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the obligations with respect to the payment of principal of and interest on the Certificates under this Trust Agreement and the Certificates to the extent of the sums so paid. Upon delivery by the Book-Entry Depository to the Town of written notice to the effect that the Book-Entry Depository has determined to substitute a new nominee in place of the incumbent nominee, and subject to the provisions herein with respect to Record Dates, the word nominee in this Trust Agreement shall refer to such new nominee of the Book-Entry Depository.

(d) In order to qualify the Certificates for the Book-Entry Depository's book-entry system, the Finance Director or the Treasurer of the Town is hereby authorized to execute and deliver on behalf of the Town to the Book-Entry Depository a Representation Letter representing such matters as shall be necessary to so qualify the Certificates. The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (b) of this Section or in any other way impose upon the Town any obligation whatsoever with respect to persons having interests in the Certificates other than the Owners as shown in the Certificate register. In addition to the execution and delivery of the Representation Letter, the officers of the Town, and their authorized representatives, each are hereby authorized to take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for each Book-Entry Depository's book-entry program.

(e) In the event (i) the incumbent Book-Entry Depository determines not to continue to act as Book-Entry Depository for the Certificates, or (ii) the Town determines that the incumbent Book-Entry Depository shall no longer so act, and delivers a written certificate to the incumbent Book-Entry Depository to that effect, then the Town will discontinue the book-entry system for the Certificates with the incumbent Book-Entry Depository. If the Town determines to replace the incumbent Book-Entry Depository with another qualified Book-Entry Depository, the Town shall prepare or direct the preparation of, and the Trustee shall execute and deliver, a new single, separate fully Certificate (which may be typewritten) for the aggregate outstanding principal amount for each maturity of the Certificates held by the incumbent Book-Entry Depository, registered in the name of such successor or substitute qualified Book-Entry Depository or its nominee, or make such other arrangement acceptable to the Town and the successor Book-Entry Depository as are not inconsistent with the terms of this Trust Agreement. If the Town fails to identify another qualified successor Book-Entry Depository to replace the incumbent Book-Entry Depository, then the Certificates shall no longer be restricted to being registered in the Bond register in the name of the Book-Entry Depository or its nominee, but shall be registered in whatever name or names the Book-Entry Depository or its nominee shall designate. In such event the Town shall prepare or direct the preparation of, and the Trustee shall authenticate and deliver to the Owners thereof, such Certificates as are necessary to carry out the transfers and exchanges provided in this Trust Agreement. All such Certificates shall be in fully registered form in denominations authorized hereunder.

(f) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Book-Entry Depository or its nominee, all notices and payments with respect to principal of and interest on such Certificate shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Book-Entry Depository.

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

ARTICLE III DELIVERY COSTS FUND; PROJECT FUND

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

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

Section 3.02. Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the “Town of Colma 2015 Certificates Project Fund.” Except as otherwise provided herein, moneys in the Project Fund shall be used solely for the acquisition of the Project. The Trustee shall disburse moneys in the Project Fund on the Closing Date to purchase the Project at the Written Requisition of the Town. Each such Written Requisition of the Town 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. Upon the payment of the purchase price for the acquisition of the Project, the Project Fund shall be closed.

Notwithstanding the foregoing provisions of this Section 3.02, upon the occurrence and continuation of an Event of Default under and as defined in Section 13.01(i), the Trustee shall immediately withdraw all amounts then on deposit in the Project Fund and apply such amounts in accordance with the provisions of Section 13.03.

**ARTICLE IV
PREPAYMENT OF CERTIFICATES**

Section 4.01. Prepayment.

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

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

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

Prepayment Date ([_____] 1])	Principal Amount of <u>Certificates to be Prepaid</u>
20__	
20__	

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

Prepayment Date ([_____] 1])	Principal Amount of <u>Certificates to be Prepaid</u>
20__	
20__	

The Certificates maturing on [_____] 1], 2045 are also subject to mandatory sinking fund prepayment on [_____] 1] in each year on or after [_____] 1], 20__, by lot, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Lease Payment to be paid by the Town pursuant to the Lease Agreement with respect to each such prepayment date as follows:

Prepayment Date
([_____])

20__
20__

Principal Amount of
Certificates to be Prepaid

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

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

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

Section 4.03. Notice of Prepayment. When prepayment is authorized or required pursuant to Section 4.01 hereof, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (a) that the Certificates or a designated portion thereof are to be redeemed, (b) the date of prepayment, and (c) the place or places where the prepayment will be made. Such notice shall further state that, if money has been deposited to the appropriate fund or account under this Trust Agreement, on the specified date there shall become due and payable upon each Certificate, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

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

Section 4.04. Partial Prepayment of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the registered Owner thereof, at the expense of the Town, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the Town, the Corporation and the Trustee shall be released and discharged from all liability to the extent of such payment.

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

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid together with interest to said date of prepayment, shall be held by the Trustee so as to be available therefor on said date of prepayment, and if notice of prepayment thereof shall have

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

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

ARTICLE V LEASE PAYMENTS; LEASE PAYMENT FUND

Section 5.01. Assignment of Rights in Lease Agreement. The Corporation hereby transfers, assigns and sets over to the Trustee certain of its rights under the Lease Agreement as set forth below, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments, the Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant hereto but excluding the Corporation's right to consent pursuant to Section 8.2 of the Lease Agreement. All Lease Payments, Prepayments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of the Lease Payments and Prepayments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one business day after the receipt thereof, and all such Lease Payments, Prepayments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund (except as provided in Section 6.04 hereof).

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

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

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

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

ARTICLE VI RESERVE FUND

Section 6.01. Establishment of Reserve Fund. The Trustee shall establish a special fund designated as the “Town of Colma 2015 Certificates of Participation Reserve Fund.” All moneys at any time on deposit in the Reserve Fund shall be held by the Trustee in trust for the benefit of the Town and the Owners of the Certificates, and applied solely as provided herein.

Section 6.02. Deposits. There shall be deposited in the Reserve Fund the amount of \$_____ representing the Reserve Requirement. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of all the Lease Payments and Prepayments to be paid pursuant to the Lease Agreement.

Section 6.03. Transfers of Excess. The Trustee shall, semiannually on or prior to each [_____ 1] and [_____ 1] beginning [_____ 1], 20__, (i) cause the Reserve Fund to be valued pursuant to Section 8.05 hereof, and (ii) transfer any moneys available in the Reserve Fund (as so valued) in excess of the Reserve Requirement to the Lease Payment Fund.

Section 6.04. Application in Event of Deficiency in Lease Payment Fund. If on any Interest Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest and prepayment premiums (if any) with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Lease Payments on behalf of the Town by transferring the amount necessary for such purpose to the Lease Payment Fund. If after such a transfer, a deficiency remains in the Lease Payment Fund, the Trustee shall apply the amount, if any, on deposit in the Lease Payment Fund first to the payment of interest past due with respect to all Certificates on a pro rata basis, and second to the payment of the unpaid principal balance with respect to each Certificate which is then past due on a pro rata basis.

Section 6.05. Transfer To Make All Lease Payments. If on any Interest Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of past due principal or interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal, interest and prepayment premiums (if any), the Trustee shall, upon the written direction of the Town Representative, transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments or Prepayments on behalf of the Town, and such moneys shall be paid to the Owners of Certificates in accordance with Article II of this Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates, or upon provision for such payment as provided in Section 14.01 hereof, shall after payment of amounts due the Trustee hereunder be withdrawn by the Trustee and paid to the Town.

Section 6.06. Reserve Fund Credit Facility. The Reserve Requirement may be satisfied by crediting to the Reserve Fund the Reserve Fund Credit Facility which makes funds available in the Reserve Fund in an amount equal to the Reserve Requirement. The Trustee shall draw on the Reserve Fund Credit Facility in accordance with its terms when and if moneys are needed pursuant to the provisions of this Section 6.06.

**ARTICLE VII
INSURANCE AND CONDEMNATION FUND;
INSURANCE; EMINENT DOMAIN**

Section 7.01. Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award. Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Leased Premises collected by the Town in the event of any such accident or destruction shall be transferred to the Trustee pursuant to Section 6.2 of the Lease Agreement and deposited by the Trustee in a special fund designated as the “Insurance and Condemnation Fund” to be applied and disbursed by the Trustee as provided in Section 6.2 (a) of the Lease Agreement.

Section 7.02. Application of Net Proceeds of Eminent Domain Award. If all or any part of the Leased Premises shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to Section 6.2(b) of the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

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

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

(b) If (1) less than all of the Leased Premises shall have been taken in such eminent domain proceedings, and if the Town determines and certifies to the Trustee that such eminent domain proceedings have materially affected the operation of the Leased Premises or the ability of the Town to meet any of its obligations under the Lease Agreement or (2) all of the Leased Premises shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the Prepayment required to be paid pursuant to Section 10.3 of the Lease Agreement and applied to the prepayment of Certificates in the manner provided in Article IV hereof.

(c) In making any such determination under this Section 7.02, the Town may obtain, but shall not be required to obtain, the report of an independent engineer or other independent professional consultant. Any such determination by the Town shall be final.

Section 7.03. Cooperation. The Corporation and the Trustee shall cooperate fully with the Town at the expense of the Town in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Lease Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Leased Premises or any part thereof.

ARTICLE VIII MONEYS IN FUNDS; INVESTMENT

Section 8.01. Held in Trust. The moneys and investments held by the Trustee under this Agreement are irrevocably held in trust for the benefit of the Town and the Owners of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the Town or any Owner of Certificates, or any of them.

Section 8.02. Investments Authorized. Moneys held by the Trustee hereunder, upon written order of the Town Representative shall be invested and reinvested by the Trustee in specific Permitted Investments. Such investments, if registrable, shall be registered in the name of the Trustee for the benefit of the Certificate Owners and held by the Trustee. The Trustee may purchase from or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made, giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee may sell or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

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

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

Section 8.03. Accounting. The Trustee shall furnish to the Town a monthly statement of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Section.

Section 8.04. Allocation of Earnings. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein.

Section 8.05. Valuation of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at the lesser of cost or market value. For purposes of this Section 8.05, subject to the provisions set forth in the definition of Permitted Investments, the market value of any Permitted Investments shall be determined as follows:

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

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

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

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

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

If more than one of the above provisions of this Section 8.05 shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

Section 8.06. Deposit and Investment of Moneys in Funds. The Trustee may, and upon the written request of the Town Representative shall, commingle any of the funds held by it pursuant to this Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

ARTICLE IX THE TRUSTEE

Section 9.01. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Trustee by the Corporation and the Town for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Agreement. The Corporation and the Town agree that they will maintain as Trustee a bank, national banking association or trust company having a principal office in Los Angeles, California, with a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by Federal or state authority, so long as any Certificates are outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

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

The Town may, in the absence of an Event of Default, remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements of this Section 9.01.

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

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

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

Section 9.02. Liability of Trustee. The Trustee shall have only such duties and obligations as are expressly set forth herein; no implied duties shall be read into this Agreement against the Trustee. The recitals of facts, covenants and agreements herein and in the Certificates contained shall be taken as statements, covenants and agreements of the Corporation and the Town, and the Trustee assumes no liability or responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Agreement or of the Certificates and shall not incur any liability or responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon the Trustee, including but not limited to the Trustee's obligations under Section 8.02 hereof.

Section 9.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 9.01, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.04. Protection and Rights of Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such Certificate shall be deposited with the Trustee and satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the Town, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee in good faith and in accordance therewith.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE X MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.01. Amendments Permitted. This Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the Owners of sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 10.03 hereof have been obtained and be filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest thereon, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate or (2) reduce or have the effect or reduce the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 10.02 hereof.

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

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

Upon request, the Town shall have provided to the Trustee an opinion of counsel that the supplemental Trust Agreement or Lease conforms to the requirements of this Section 10.01.

Section 10.02. Procedure for Amendment with Written Consent of Certificate Owners. In the event the consent of the Owners of the Certificates is required pursuant to Section 10.01 hereof, this Agreement and the Lease Agreement may be amended by supplemental agreement only upon compliance with the provisions of this Section 10.02. A copy of the proposed supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by the Trustee to each Owner of a Certificate at his address as set forth on the Certificate registration books maintained pursuant to Section 2.12 hereof, but failure to mail copies of any such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section provided.

Such a supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.03 hereof), and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.11 hereof. Any such consent shall be binding upon the owner of the Certificate giving such consent and on any subsequent owner thereof (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been given.

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

Section 10.03. Disqualified Certificates. Certificates owned or held by or for the account of the Town or by any person directly or indirectly controlled by, or under direct or indirect common control with, the Town (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action provided for in this Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Agreement.

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

Section 10.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Agreement or the Lease Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the parties hereto or thereto, as the case may be, and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Agreement or the Lease Agreement, as the case may be, for any and all purposes.

Section 10.05. Endorsement or Replacement of Certificates Delivered After Amendments. The Town may determine that Certificates delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Trustee as to such action. In that case, upon demand of the Owner of any Certificate outstanding at such effective date and presentation of his Certificate at the hereinafter mentioned office of the Trustee, a suitable notation shall be made on such Certificate. The Town may determine that new Certificates, so modified as in the opinion of the Trustee is necessary to conform to action taken pursuant to this Article X, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such a new Certificate shall be exchanged for the Outstanding Certificate at the corporate trust office of the Trustee, without cost to the Owner, for a Certificate of the same character then outstanding, upon surrender of such Certificate.

Section 10.06. Amendatory Endorsement of Certificates. The provisions of this Article X shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

ARTICLE XI COVENANTS; NOTICES

Section 11.01. Compliance With and Enforcement of Lease Agreement. The Town covenants and agrees with the owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

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

Section 11.02. Payment of Taxes. The Town will pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Leased Premises and the Site, or any part thereof, promptly as and when the same shall become due and payable; and the Town will, upon request of the Trustee, from time to time keep the Trustee advised of such payments, and deliver such evidence thereof, as the Trustee may reasonably require. The Town will not suffer the Leased Premises and the Site, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

Section 11.03. Observance of Laws and Regulations. The Town will well and truly keep, observe and perform all valid and lawful obligations or requirements now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Town, including its right to exist and carry on business as a municipal corporation, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 11.04. Prosecution and Defense of Suits. The Town shall promptly, upon request of the Trustee, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Premises and the Site, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose, and shall indemnify and save the Trustee and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 11.05. Recordation and Filing. The Town shall record and file the Lease Agreement, the Site and Second Parking Structure Lease Agreement and all such documents as may be required by law (together with whatever else may be necessary), all in such manner, at such times and in such places as may be required by law, in order fully to preserve, protect and perfect the security of the Trustee and the Certificate Owners.

Section 11.06. Town Budgets. The Town shall supply to the Trustee, at least forty-five (45) days after the adoption of the budget, a certificate that the Town has made adequate provision in its proposed budget for the Fiscal Year for the payment of Lease Payments due under the Lease Agreement during the Fiscal Year. The certificate given by the Town to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments due under the Lease Agreement in the then ensuing Fiscal year. If the Town is unable to provide such Certificates the Town will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the Town in the then ensuing Fiscal Year for the payment of Lease Payments due under the Lease Agreement, and will notify the Trustee of the proceedings then taken or proposed to be taken by the Town. The Town will keep the Trustee advised of all proceedings thereafter taken by the Town.

Section 11.07. Further Assurances. The Corporation and the Town will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

Section 11.08. Continuing Disclosure. The Town hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Trust Agreement, failure of the Town to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee shall, at the written request of any participating underwriter or the Owners of at least 25% aggregate principal amount of Certificates, but only to the extent the Trustee has been indemnified from and against any loss, cost, expense, claim or liability, including, without limitation, fees and expenses of attorneys and additional fees and expenses of the Trustee or any Certificate Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Town to comply with its obligations under this Section.

Section 11.09. Tax Covenants.

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

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

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

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

(e) Rebate of Excess Investment Earnings. The Town shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Certificates which are required to be rebated to the United States of America pursuant to Section 148(f) of the Tax Code, at the times and in the manner required pursuant to the Tax Code. The Town shall pay or cause to be paid 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 pursuant to the Tax Code, such payments to be made from amounts provided by the Town for such purpose pursuant to Section 5.13 of the Lease Agreement. The Town shall keep or cause to be kept, and retain or cause to be retained for a period of six (6) years following the retirement of the Certificates, records of the determinations made pursuant to this subsection (e). The Trustee shall have no duty to monitor the compliance by the Town with any of the covenants contained in this subsection (e).

Section 11.10. **Bank Qualified.** The Town has designated the Certificates and the Lease Agreement as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. The Town has issued no tax-exempt obligations in calendar year 2015 other than the Certificates. The Town represents that it will not issue tax-exempt obligations (including the Certificates) in an aggregate principal amount of more than \$10,000,000 during the current calendar year.

ARTICLE XII LIMITATION OF LIABILITY

Section 12.01. Limited Liability of Town. Except for the payment of Lease Payments and Prepayments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the Town contained in said agreement without limitation, including the payment of fees and expenses pursuant to Section 4.7 of the Lease Agreement, the Town shall have no obligation or liability to any of the other parties hereto or to the Owners of the Certificates with respect to this Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

Section 12.02. No Liability for Trustee Performance. Except for those specific instances provided for herein where the Trustee must act as specifically requested or ordered by the Town or the Corporation, neither the Town nor the Corporation shall have any obligation or liability to any of the other parties hereto or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Agreement.

Section 12.03. Limited Liability of Trustee. The Trustee shall have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates, for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease Agreement, or for the actions or representations of any other party to this Agreement. The Trustee shall have no obligation or liability to any of the other parties or the Owners of the Certificates with respect to the failure or refusal of any other party to perform any covenant or agreement made by any of them under this Agreement or the Lease Agreement, but shall be responsible solely for the performance of the duties expressly imposed upon it hereunder. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

Section 12.04. Indemnification. The Corporation and the Town agree to indemnify and save the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all liability, losses, costs, expenses, claims and damages suffered by it as a result thereof, where and to the extent any such claim, suit or action arises out of the acceptance or performance by the Trustee of its duties hereunder or under the Lease. Such indemnification shall not extend to claims, suits and actions brought against the Trustee for its own negligence or willful misconduct. In the event the Corporation or the Town is required to indemnify the Trustee as herein provided, the Corporation or the Town (as the case may be) shall be subrogated to the rights of the Trustee to recover losses or damages from any other person or entity. The Trustee may have its own counsel with respect to such claims, suits and actions, and such counsel shall be paid for by the Town or the Corporation, whichever is appropriate, except in those instances where it is found by a court of competent jurisdiction that the Trustee acted negligently or that its misconduct was willful.

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

Section 12.05. Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying on such an opinion or certificate.

Section 12.06. Limitation of Rights to Parties and Certificate Owners. Nothing in this Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the Town, the Corporation, the Trustee and the owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provision hereof, and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the Town, the Corporation, the Trustee and the Owners of the Certificates.

**ARTICLE XIII
EVENTS OF DEFAULT AND REMEDIES
OF CERTIFICATE OWNERS**

Section 13.01. Events of Default Defined. The following shall be “Events of Default” under this Trust Agreement and the Lease Agreement and the terms “Event of Default” and “default” shall mean, whenever they are used in this Trust Agreement and the Lease Agreement, any one or more of the following events:

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

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

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

Section 13.02. Remedies. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything herein or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Section 13.03. Application of Funds. Notwithstanding anything to the contrary in Section 9.7 of the Lease Agreement, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XIII or Article IX of the Lease Agreement, (and any moneys in the Project Fund in the event of an Event of Default described in Section 13.01(i) hereof), shall be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Trustee, in declaring the Event of Default, including reasonable compensation to its agents, attorneys and counsel and then of the

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

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

Section 13.04. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

Section 13.05. Non-waiver. Nothing in this Article XIII or in any other provision of this Agreement, or in the Certificates, shall affect or impair the obligation of the Town, which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce such payment. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XIII to the Trustee or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Section 13.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 13.07. [Reserved].

Section 13.08. Limitation of Certificate Owners, Right to Sue. No Owner of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, with respect to any remedy under or upon this Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted

or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and such tender of indemnity shall have been made to, the Trustee.

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

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

Section 13.09. Agreement to Pay Attorneys' Fees and Expenses. In the event the Town or the Corporation should default under any of the provisions hereof and a non-defaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will, on demand therefor, pay to the non-defaulting party or parties the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party or parties.

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

ARTICLE XIV MISCELLANEOUS

Section 14.01. Defeasance. If and when all Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

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

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

(c) by depositing with the Trustee, in trust, Defeasance Obligations in such amount as Trustee, based upon the report of an independent certified public accountant, shall determine will, together with the interest to accrue thereon, and moneys then on deposit in the Lease Payment Fund and the Reserve Fund, together with the interest to accrue thereon, be fully

sufficient to pay and discharge all Certificates Outstanding (including all principal, interest and prepayment premiums, if any) at or before their respective maturity dates; or

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

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

Section 14.02. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Agreement, which shall be available for inspection by the Town, the Corporation and any Owner, or the agent of any of them, at any time during regular business hours upon reasonable prior notice.

Section 14.03. Notices. All written notices to be given under this Agreement shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the Town: Town of Colma
 1198 El Camino Real
 Colma, CA 940140
 Attention: Town Manager

If to the Corporation: Public Property Financing Corporation of America

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.

 Attention:

Section 14.04. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State.

Section 14.05. Binding Effect; Successors. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Agreement either the Corporation, the Town or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the Corporation, the Town or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 14.06. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 14.07. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. Unless otherwise specifically indicated, all references herein to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 14.08. Limitation of Rights to Parties and Certificates Owners. Nothing in this Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any person other than the Corporation, the Town, the Trustee and the owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the Town, the Trustee and the Owners of the Certificates.

Section 14.09. Waiver of Notice. Whenever in this Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 14.10. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant hereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 14.11. Parties Interested Herein. Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Town, the Trustee, the Corporation, and the registered owners of the Certificates, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the Town shall be for the sole and exclusive benefit of the Town, the Trustee, the Corporation and the registered owners of the Obligations.

Section 14.12. Unclaimed Funds. Notwithstanding any provisions of this Trust Agreement and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, or interest with respect to, any Certificates and remaining unclaimed for two (2) years after of such Certificate has become due and payable (whether at maturity or upon call for redemption or otherwise as provided in this Trust Agreement), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when such Certificates became due and payable, shall be repaid to the Town free from the trusts created by this Trust Agreement and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before repayment of such moneys to the Town as aforesaid, the Trustee may (at the cost of the Town first mail to the Owners of Certificates which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the Town of the moneys held for the payment thereof.

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

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

By: _____
Authorized Officer

PUBLIC PROPERTY FINANCING
CORPORATION OF AMERICA

By: _____
President

TOWN OF COLMA

By: _____
Mayor

EXHIBIT A

FORM OF CERTIFICATE

TOWN OF COLMA
2015 CERTIFICATE OF PARTICIPATION
(TOWN HALL IMPROVEMENT PROJECT)

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

THE TOWN OF COLMA, CALIFORNIA

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

PUBLIC PROPERTY FINANCING CORPORATION OF AMERICA

No. \$ _____

RATE OF INTEREST: %

MATURITY DATE:

DATED DATE: August ____, 2015

CUSIP: 544195____

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

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

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Lease Agreement, on the Maturity Date specified above, the Principal Amount specified above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on [_____] 1], 20__, and semiannually thereafter on [_____] 1] and [_____] 1] of each year (the “Interest Payment Dates”), until payment in

full of said Principal Amount, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due during the six months immediately preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate (i) unless this Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) unless this Certificate is executed after the close of business on the fifteenth day of the month prior to an Interest Payment Date and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) unless this Certificate is executed prior to [_____ 15], 20__, in which event interest shall be payable from the Dated Date specified above. Said proportionate share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the per annum Rate of Interest specified above. Such interest amounts are payable in lawful money of the United States of America by check or draft mailed by first class mail by the Trustee to the Registered Owner hereof at his address as it appears on the registration books of the Trustee, or by wire transfer to owners of \$1,000,000 or more in aggregate principal amount at such wire transfer address as such owner shall specify in writing requesting payment by wire transfer to the Trustee not less than twenty days prior to such Interest Payment Date.

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

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

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

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

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

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

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

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

Prepayment Date ([_____] 1])	Principal Amount of <u>Certificates to be Prepaid</u>
20__	
20__	

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

Prepayment Date ([_____] 1])	Principal Amount of <u>Certificates to be Prepaid</u>
20__	
20__	

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

Prepayment Date ([_____] 1])	Principal Amount of <u>Certificates to be Prepaid</u>
20__	
20__	

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

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

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

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

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

Dated:

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

By: _____
Authorized Signatory

[FORM OF ASSIGNMENT]

ASSIGNMENT

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

Dated:

SIGNATURE GUARANTEED:

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

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

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RECORDATION REQUESTED BY
AND RETURN TO:

Best Best & Krieger LLP
402 West Broadway, 13th Floor
San Diego, CA 92101
Attention: Warren Diven

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.

LEASE AGREEMENT

RELATING TO TOWN OF COLMA
2015 CERTIFICATES OF PARTICIPATION
(TOWN HALL IMPROVEMENT PROJECT)

Dated as of August 1, 2015

by and between

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, as Lessor

and

THE TOWN OF COLMA, as Lessee

LEASE AGREEMENT

THIS LEASE AGREEMENT, made as of August 1, 2015, is entered into by and between **PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**, a California nonprofit public benefit corporation (the “Corporation”) and the **TOWN OF COLMA**, a city and municipal corporation, duly organized and existing under its charter and laws of the State of California, as lessee (the “Town”).

WITNESSETH

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

WHEREAS, the Town intends to lease the property upon which the Town’s police station and certain public improvements constructed thereon and owned by the Town (the “Leased Premises”) to the Corporation and to lease the Leased Premises back from the Corporation and the Town is authorized pursuant to the laws of the State of California to enter into leasehold agreements for such purpose; and

WHEREAS, the Corporation and the Town purpose to lease and lease back the Leased Premises as provided in this Lease Agreement, such lease back to the Town being for the purpose (among others) of providing amounts, together with funds of the Town, sufficient to provide for the payment of the principal of and interest on the Certificates (as defined herein); and

WHEREAS, the Leased Premises constitute a public capital improvement, as that term is defined in the Bond Law; and

WHEREAS, for the purpose of providing amounts, together with certain additional moneys provided by the City, to fund the construction of improvement to the Town Hall (the “Project”) the Town proposes to cause to be executed and delivered \$_____ aggregate principal amount 2015 Certificates of Participation (Town Hall Improvement Project) under that certain Trust Agreement, dated as of August 1, 2015 (the “Trust Agreement”), by and among the Town, the Corporation and the Bank of New York Mellon Trust Company, N.A., as trustee; and

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

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

ARTICLE I DEFINITIONS AND EXHIBITS

Section 1.1 **Definitions.** Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease Agreement, have the meanings herein specified.

Capitalized terms not otherwise defined in this Lease Agreement shall have the meaning given to them in the Trust Agreement.

“Certificates of Participation” or “Certificates” means the \$_____ aggregate principal amount of Town of Colma 2015 Certificates of Participation (Town Hall Improvement Project) to be executed and delivered pursuant to the Trust Agreement.

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

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

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

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

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

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

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

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

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

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

“Lease Payment Date” means the 15th day of the month prior to each Interest Payment Date with respect to the Certificates, and specifically the dates upon which the Town is to make

the Lease Payments pursuant to Section 4.5 of this Lease and as set forth in Exhibit A attached to this Lease.

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

“Leased Premises” means the property on which the Town’s police station is located and all of the improvement thereon which is further described in Exhibit C to this Lease Agreement under the heading “Leased Premises”.

“Moody's” means Moody's Investors Service, 99 Church Street, New York, New York 10007, a corporation organized and existing under the laws of the State of Delaware.

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

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

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

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

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

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

“Project” means the construction of improvements to the Town Hall as further described in Exhibit C to this Lease Agreement under the heading “Project.”

“Project Fund” means the Project Fund established and held by the Trustee under Section 3.02 of the Trust Agreement.

“Reserve Fund” means the fund by that named established and held by the Trustee pursuant to Section 6.01 of the Trust Agreement.

“Reserve Requirement” means as of any date of calculation an amount equal to the least of (1) 10 percent of the proceeds of the Certificates, (2) the maximum aggregate Lease Payments required to be paid in any Certificate Year, or (3) 125 percent of the average annual Lease Payment.

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

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

“Town” means the Town of Colma, a municipal corporation duly organized and existing under the Constitution and laws of the State of California.

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

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

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

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

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

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

Exhibit C: The descriptions of the real property constituting the Leased Premises to be leased hereunder.

ARTICLE II REPRESENTATIONS, COVENANTS AND WARRANTIES

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

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

(b) Authorization. The Constitution and the laws of the State of California authorize the Town to enter into this Lease and the Trust Agreement and to enter into the transactions

contemplated by and to carry out its obligations under all of this Agreement and the Trust Agreement, and the Town has duly authorized and executed this Agreement.

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

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

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

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

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

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

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

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

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

Section 3.2 **Payment of Construction Costs.** Payment of the construction costs of the Project shall be made from moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose as provided in Section 3.02 of the Trust Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

Section 4.5 **Lease Payments.**

(a) Obligation to Pay. Subject to the provisions of Section 4.2 and Articles VI and X hereof, the Town agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Leased Premises, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Exhibit A hereto. A portion of each Lease Payment shall be paid as, and represents payment of, interest. The interest component of each Lease Payment is set forth in Exhibit A hereto. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Article X hereof, and other amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. All Lease Payments for the Leased Premises for the period from the Closing Date to [_____, 2016] shall be for the use of the Leased Premises for such period of time. All Lease Payments for the Leased Premises due during any twelve-month period beginning on [_____] 1, 2016 shall be for the use of the Leased Premises for such twelve-month period.

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

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

(d) Lease Payments to Constitute Current Expense of the Town. The Town and the Corporation understand and intend that the obligation of the Town to pay Lease Payments and other payments hereunder constitutes a current expense of the Town and shall not in any way be construed to be a debt of the Town in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the Town, nor shall

anything contained herein constitute a pledge of the general tax revenues, funds or moneys of the Town. Lease Payments due hereunder shall be payable only from current funds which are budgeted and appropriated, or otherwise legally available, for the purpose of paying Lease Payments or other payments due hereunder as consideration for use of the Leased Premises during the fiscal year of the Town for which such funds were budgeted and appropriated or otherwise made legally available for such purpose. This Lease shall not create an immediate indebtedness for any aggregate payments which may become due hereunder. The Town has not pledged the full faith and credit of the Town, the State of California or any agency or department thereof to the payment of the Lease Payments or any other payments due hereunder, the Certificates or the interest thereon.

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

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

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

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

(h) Rate on Overdue Payments. In the event the Town should fail to make any of the payments required in this Section 4.5, the payment in default shall continue as an obligation of the Town until the amount in default shall have been fully paid, and the Town agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum equal to the average interest rate on the Certificates. Such interest, if received, shall be deposited in the Payment Fund.

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.1 Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease, as part of the consideration for the rental of the Leased Premises, all improvement, repair and maintenance of the Leased Premises shall be the responsibility of the Town, and the Town shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Premises, which may include, without limitation, janitor service, security, power, gas,

telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear or want of care on the part of the Town or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Leased Premises, as hereinbefore more specifically set forth. The Town waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the Town under the terms of this Lease.

The Town shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or affecting the Leased Premises or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Town shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due.

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

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

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

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

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

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

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

Section 5.7 **Insurance Net Proceeds; Form of Policies.** Each policy of insurance required by Sections 5.4, 5.5 and 5.6 hereof shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners. The Town shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease, and shall promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The Town shall cause to be delivered to the Trustee annually a certificate signed by a Town Representative stating that each of the insurance policies required by Sections 5.3, 5.4, 5.5 and 5.6 of this Lease are in full force and effect. The Trustee may conclusively rely upon such certificate as evidence that the Town has complied with Sections 5.3, 5.4, 5.5 and 5.6 hereof.

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

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

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

any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

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

Section 5.12 Tax Covenants.

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

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

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

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

Section 5.13 Payment of Rebatable Amounts. The Town agrees to furnish all information to, and cooperate fully with, the Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 11.09(e) of the Trust Agreement. If the Town has provided the Trustee with the calculations of rebate pursuant to Section 11.09(e) of the Trust Agreement and the Trustee does not have on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, with respect to the Certificates) to make such payment as specified in such calculations, the Trustee shall promptly notify the Town of such fact. Upon receipt of any such notice, the Town shall promptly pay the amounts to be due and payable to the United States of America under such Section 11.09(e), such payments to be made in accordance with the applicable provisions of the Tax Code.

Section 5.14 Change in Use. The Town covenants that in the event any portion of the Leased Premises and Site financed with proceeds of the Certificates is for any reason no longer in public use by the Town while the Certificates are Outstanding, the Town shall promptly prepay on the next date on which a prepayment can be timely made hereunder and under the

Trust Agreement, that portion of the Certificates corresponding to the portion of the proceeds of the Certificates used to finance such portion of the Leased Premises (the “Change in Use Prepayment”) or confirm that the Change in Use Prepayment has previously been prepaid or otherwise take such action as the Town may determine to be necessary to preserve the exemption from gross income for federal income tax purposes of interest with respect to the Certificates.

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

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

Section 6.2 Application of Net Proceeds.

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

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

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

ARTICLE VII DISCLAIMER OF WARRANTIES; ACCESS

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

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

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

ARTICLE VIII
ASSIGNMENT, SUBLEASING; AMENDMENT; SECURITY INTEREST

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

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

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

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

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

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

Notwithstanding the foregoing, the Town may sublease the Leased Premises in part without the written consent of the Corporation for the purpose of permitting the installation, maintenance and operation one or more cell towers thereon provided that any such sublease shall be subject to the satisfaction of the above conditions and provided that the Town shall deliver to the Corporation a certificate verifying that the installation, maintenance and operation of such a cell tower or cell towers shall not adversely affect the structural integrity of the improvements on the Leased Premises or materially interfere with the City's use and enjoyment of the Lease Premises.

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

ARTICLE IX
EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

(a) In the event the Corporation does not elect to terminate this Lease in the manner herein provided for in subparagraph (b) hereof, the Town agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-letting of the Leased Premises, or, in the event the Corporation is unable to re-let the Leased Premises, then for the full amount of all Lease Payments to the end of the Term of this Lease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinbefore provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Premises or the exercise of any other remedy by the Corporation. The Town hereby irrevocably appoints the

Corporation as the agent and attorney-in-fact of the Town to enter upon and re-let the Leased Premises in the event of default by the Town in the performance of any covenants herein contained to be performed by the Town and to remove all personal property whatsoever situated upon the Leased Premises and to place such property in storage or other suitable place in the County of Orange, State of California, for the account of and at the expense of the Town, and the Town hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-letting the Leased Premises and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The Town hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Leased Premises as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Premises and all claims for damages to or loss of any property belonging to the Town that may be in or upon the Leased Premises. The Town agrees that the terms of this Lease constitute full and sufficient notice of the right of the Corporation to re-rent the Leased Premises in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the Corporation in effecting such re-renting or re-leasing shall constitute a surrender or termination of this Lease irrespective of the term for which such re-leasing or re-renting is made or the terms and conditions of such re-leasing or re-renting, or otherwise, but that, on the contrary, in the event of such default by the Town the right to terminate this Lease shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The Town further waives the right to any rental obtained by the Corporation in excess of the Lease Payments and hereby conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-leasing the Leased Premises.

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

Section 9.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power

accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law. To the extent that this Lease confers upon or gives or grants to the Trustee any right remedy or claim under or by reason of this Lease Agreement, the Trustee is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred given or granted.

Section 9.4 **[Reserved]**

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

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

Section 9.7 **Application of Proceeds.** All Net Proceeds received from the release or other disposition of the Leased Premises, under this Article IX, and all other amounts derived by the Corporation or the Trustee as a result of an Event of Default hereunder, shall be transferred to the Trustee promptly upon receipt thereof and after payment of the fees and expenses of the Trustee, including, without limitation those of its attorneys, agents and advisors shall be deposited by the Trustee in the Project Fund to be applied as provided for in Section 13.03 of the Trust Agreement.

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

**ARTICLE X
PREPAYMENT OF LEASE PAYMENTS**

Section 10.1 **Security Deposit.** Notwithstanding any other provision of this Lease, the Town may on any date secure the payment of Lease Payments by a deposit with the Trustee of: (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment Schedule set forth in Exhibit A hereto, or (ii) Defeasance Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys, Defeasance Obligations then on

deposit in the Lease Payment Fund and Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates or by prepayment thereof pursuant to Section 10.2 hereof, as the Town shall instruct at the time of said deposit. In the event of a deposit pursuant to this Section, all obligations of the Town under this Lease, and all security provided by this Lease for said obligations, shall cease and terminate, excepting only the obligation of the Town to make, or cause to be made, Lease Payments from the deposit made by the Town pursuant to this Section, and title to the Leased Premises shall vest in the Town on the date of said deposit automatically and without further action by the Town or the Corporation. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease.

Section 10.2 Optional Prepayment.

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

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

Section 10.3 Mandatory Prepayment From Net Proceeds of Insurance, Eminent Domain or Sale. The Town shall be obligated to prepay the Lease Payments with respect to the Leased Premises, in whole or in part on any [_____ 1] or [_____ 1] from and to the extent of any Net Proceeds of insurance award or condemnation award or sale with respect to the Leased Premises and Site theretofore deposited in the Lease Payment Fund for such purpose pursuant to Articles V, VI, IX or X hereof or pursuant to Section 7.02 of the Trust Agreement. The Town and the Corporation hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, if any, shall be credited towards the Town's obligations under this Section.

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

**ARTICLE XI
MISCELLANEOUS**

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

If to the Town: Town of Colma
 1198 El Camino Real
 Colma, CA 940140
 Attention: City Manager

If to the Corporation: Public Property Financing Corporation of America

Attention: _____

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.

Attention:

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

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

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

Section 11.4 **Bank Qualified.** The Town has designated the Certificates and this Lease Agreement as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. The Town has issued no tax-exempt obligations in calendar year 2015 other than the Certificates. The Town represents that it will not issue tax-exempt obligations (including the Certificates) in an aggregate amount of more than \$10,000,000 in the current calendar year.

Section 11.5 **Net-Net-Net Lease.** This Lease shall be deemed and construed to be a “net-net-net lease” and the Town hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or setoffs whatsoever.

Section 11.6 **Further Assurances and Corrective Instruments.** The Corporation and the Town agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the

Project and Site hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

Section 11.7 **Execution in Counterparts.** This Lease may be executed in several counterparts, each of which shall be original and all of which shall constitute but one and the same instrument.

Section 11.8 **Applicable Law.** This Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 11.9 **Corporation and Town Representatives.** Whenever under the provisions of this Lease the approval of the Corporation or the Town is required, or the Corporation or the Town is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by the Corporation Representative and for the Town by the Town Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.10 **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 Corporation has caused this Lease to be executed in its corporate name by its duly authorized officer; and the Town has caused this Lease to be executed in its name by its duly authorized officers, as of the date first above written.

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA, as Lessor

By: _____
President

By: _____
Secretary

TOWN OF COLMA, as Lessee

By: _____
City Manager

EXHIBIT A
SCHEDULE OF LEASE PAYMENTS

LEASE PAYMENTS

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

SCHEDULE OF PREPAYMENT DATES
AND PREPAYMENT PRICES

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

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

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

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

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

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

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

EXHIBIT C

I. DESCRIPTION OF LEASED PREMISES

REAL PROPERTY IN THE TOWN OF COLMA, COUNTY OF SAN MATEO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

II. DESCRIPTION OF PROJECT

[Insert description of improvements to be made to the Town Hall]

INSERT NOTARY ACKNOWLEDGMENTS

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\$ _____
Certificates of Participation
(Town Hall Improvement Project)
Evidencing Direct, Undivided Fractional Interests of the Owners thereof
in Lease Payments to be Made by the
TOWN OF COLMA
CERTIFICATE PURCHASE AGREEMENT

August __, 2015

City Council
Town of Colma
1198 El Camino Real
Colma, California 92014

Ladies and Gentlemen:

The undersigned (the “Underwriter”), offers to enter into this purchase agreement (this “Purchase Agreement”) with the Town of Colma (the “Town”) which will be binding upon the Town and the Underwriter upon the acceptance hereof by the Town. This offer is made subject to its acceptance by the Town by execution of this Purchase Agreement and its delivery to the Underwriter on or before 5:00 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Trust Agreement and the Lease Agreement (as those terms are hereafter defined).

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase and the Town hereby agrees to cause to be delivered to the Underwriter, all (but not less than all) of the \$_____ aggregate principal amount of the Certificates of Participation (Town Hall Improvement Project) (the “Certificates”) evidencing the direct undivided fractional interests of the Owners thereof in Lease Payments to be made by the Town to Public Property Financing Corporation of America (the “Corporation”) pursuant to a Lease Agreement, dated as of August 1, 2015 (the “Lease Agreement”), between the Town and the Corporation, at a purchase price of \$_____ (the proceeds of the Certificates less \$_____ of Underwriter’s discount and [plus/less] \$_____ of net original issue [premium/discount]).

The amount of \$_____ has been, or within two (2) business days hereof will be, wired to the Trustee (as hereinafter defined) as security for the performance by the Underwriter of its obligation to accept and pay for the Certificates at the Closing, as provided in Section 5 hereof. In the event that the Underwriter complies with such obligation, said good faith deposit in the amount thereof shall be credited toward the payment of the purchase price of the Certificates by the Underwriter at the Closing. In the event of the Town’s failure to deliver the Certificates at the Closing, or if the Town shall be unable to satisfy the conditions of the obligation of the Underwriter to purchase and accept delivery of such Certificate as set forth in this Purchase Agreement, or if the obligation of the Underwriter with respect to such Certificates

shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the Town shall be under further obligation hereunder, except that the respective obligations of the Town and the Underwriter for the payment of expenses, as provided in Section 8, shall continue in full force and effect.

The Town acknowledges and agrees that (i) the purchase and sale of the Certificates pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Town and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an advisor (including, without limitation, a Municipal Advisor (as such term is defined in section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)), agent or a fiduciary of the Town, (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the Town with respect to the offering of the Certificates or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Town on other matters) or any other obligation to the Town except the obligations expressly set forth in this Purchase Agreement, (iv) the Underwriter has financial and other interests that differ from those of the Town and (v) the Town has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Certificates.

2. Authorizing Instruments and Law. The Certificates shall be executed and delivered by The Bank of New York Mellon Trust Company as trustee (the "Trustee") pursuant to a Trust Agreement, dated as of August 1, 2015 (the "Trust Agreement"), among the Town, the Corporation and the Trustee. The Corporation will assign its right to receive Lease Payments to the Trustee pursuant to the terms of the Trust Agreement. The Certificates shall be as described in the Trust Agreement and the Official Statement relating to the Certificates (as defined below).

The Town will use the proceeds of the Certificates (i) fund the renovation of the Project as more completely described in the Lease Agreement, (ii) fund a reserve fund for the Certificates, and (iii) to pay the costs of executing and delivering the Certificates.

3. Public Offering. The Underwriter agrees to make a bona fide public offering of all the Certificates initially at the public offering prices (or yields) set forth on Appendix A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Certificates, provided that the Underwriter shall not change the interest rates set forth on Appendix A. The Certificates may be offered and sold to certain dealers at prices lower than such initial public offering prices.

4. Delivery of Official Statement and Continuing Disclosure. The Town has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Agreement or the first offering of the Certificates, whichever first occurs, copies of the preliminary official statement dated [July __, 2015], relating to the Certificates (the "Preliminary Official Statement"). Such Preliminary Official Statement is the official statement deemed final by the Town for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"), except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule, and approved for distribution by resolution of the Town.

The Preliminary Official Statement and the final Official Statement (the “Final Official Statement”), including the cover pages, the appendices thereto and all information incorporated therein by reference are hereinafter referred collectively to as the “Official Statement”.

To assist the Underwriter in complying with SEC Rule 15c2-12 (b)(5), the Town will undertake, pursuant to a Continuing Disclosure Agreement relating to the Certificates dated the date of the Closing (the “Continuing Disclosure Agreement”), to provide annual reports and notices of certain events. A description of these undertakings is set forth in the Preliminary Official Statement and Certificates will also be set forth in the Final Official Statement.

The Town shall, within 7 business days of the date hereof, deliver the Final Official Statement to the Underwriter in sufficient quantity to comply with applicable SEC and Municipal Securities Rulemaking Board regulations.

5. **The Closing.** At 8:00 a.m., California time, on [August __, 2015], or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Town and the Underwriter (the “Closing Date”), the Town will deliver, or cause to be delivered (i) the Certificates in definitive form to the Underwriter in such form as the Underwriter shall request, and (ii) the closing documents hereinafter mentioned at the office of Best Best & Krieger LLP, San Diego, California or another place to be mutually agreed upon by the Town and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Certificates on the Closing Date as set forth in Section 1 by wire transfer payable to the order of the Trustee on behalf of the Town. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “Closing”. The Certificates will be delivered in such authorized denominations and deposited in the account or accounts specified by the Underwriter pursuant to written notice not later than five (5) business days prior to the Closing Date.

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

(a) Due Organization, Existence and Authority. The Town is a municipal corporation, organized and existing under the Constitution and the laws of the State of California (the “State”), with full right, power and authority to execute, deliver and perform its obligations under this Purchase Agreement, the Trust Agreement and the Lease Agreement (collectively, the “Town Documents”) and to carry out and consummate the transactions contemplated by the Town Documents and the Official Statement.

(b) Due Authorization and Approval. By all necessary official action of the Town, the Town has duly authorized and approved the execution and delivery of, and the performance by the Town of the obligations contained in, the Preliminary Official Statement, the Final Official Statement and the Town Documents and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Town Documents will constitute the legally valid and binding obligations of the Town enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally. The Town has

complied, and will at the Closing be in compliance in all respects, with the terms of the Town Documents.

(c) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the Final Official Statement is, and at all times subsequent to the date of the Final Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Final Official Statement contain and up to and including the Closing will contain no misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances under which such statements were made, not misleading.

(d) Amendments and Supplements to Official Statement. If after the date of this Purchase Agreement and until twenty-five (25) days after the end of the underwriting period, any event shall occur, of which the Town has notice, as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein, in light of the circumstances existing at such time, not misleading, the Town shall forthwith notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter or the Town, such event requires an amendment or supplement to the Official Statement, the Town, at its own expense, will amend or supplement the Official Statement in a form and manner jointly approved by the Town and the Underwriter so that the statements therein as so amended or supplemented will not be misleading in the light of the circumstances existing at such time and the Town shall promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement.

(e) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Town is not and will not be in breach of or in default under any applicable and material constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable and material judgment or decree or any trust agreement, lease agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Town 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; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Town Documents and compliance with the provisions of each of such agreements or instruments do not and will not be prohibited by or constitute a breach of or default under any applicable and material constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable and material judgment, decree, license, permit, trust agreement, lease agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Town (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties are bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Town Documents.

(f) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, to the best knowledge and belief of the Town,

without having made any independent investigation, (1) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory authority, public board or body, pending or threatened against the Town (i) in any way questioning the corporate existence of the Town or the titles of the officers of the Town to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Certificates, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest with respect to the Certificates, or in any way contesting or affecting the validity of the Certificates or the Town Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest portion of the Lease Payments from taxation; or (iii) contesting the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Final Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (2) there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iii) of this sentence.

(g) Preliminary Official Statement. For purposes of the Rule, the Town has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule.

(h) Approvals and Consents. Except as may be required under the blue sky or other securities laws of any jurisdiction, all approvals, consents, authorizations, elections and orders of, or filings or registrations with, any governmental authority, board, or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Town of its obligations under the Town Documents and the Certificates have been or will be obtained and are or will be in full force and effect.

7. **Closing Conditions.** The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants herein and the performance by the Corporation and the Town of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Agreement to purchase and pay for the Certificates shall be subject to the following additional conditions:

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

(b) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the Town Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter and (ii) there shall be in full force and effect such resolutions (the "Resolutions") as, in the opinion of Best Best & Krieger LLP, San Diego, California ("Special Counsel"), shall be necessary in connection with the transactions contemplated by the Official Statement and the Town Documents.

(c) Termination Events. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefor, by notification to the Town if at any time at or prior to the Closing:

(i) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, 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 statement in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority materially adversely affecting the federal or State tax status of the Town, or the interest on Certificates or notes or obligations of the general character of the Certificates; or, the form of opinion to be delivered by Special Counsel with respect thereto (including as a result of the adoption of the regulations contained in Circular 230 governing the practice of attorneys and other tax advisors before the Internal Revenue Service) in a form which, in the Underwriter's reasonable judgment, materially adversely affects the market price of the Certificates; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Certificates; 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 body 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 Certificates, or the issuance, offering or sale of the Certificates, 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 Certificates, or the Certificates, 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 Trust Agreement needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Certificates; 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 other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Certificates; or

(viii) any rating of the Certificates shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Certificates; or

(ix) the commencement of any action, suit or proceeding described in Section 6(f) which, in the judgment of the Underwriter, materially adversely affects the market price of the Certificates; or

(x) there shall be in force a general suspension of trading on the New York Stock Exchange.

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

(1) *Final Opinion*. An approving opinion of Special Counsel dated the date of the Closing and substantially in the form appended to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter and the Trustee, to the effect that the foregoing opinion addressed to the Town may be relied upon by the Underwriter and the Trustee to the same extent as if such opinion were addressed to them.

(2) *Supplemental Opinion.* A supplemental opinion or opinions of Special Counsel addressed to the Town and the Underwriter, and dated the date of the Closing substantially to the following effect:

- i. The Town Documents have been duly authorized, executed and delivered by the Town and constitute the valid, legal and binding agreements of the Town enforceable in accordance with their respective terms.
- ii. The statements contained in the Official Statement (including the cover page and the Appendices thereto), insofar as such statements purport to summarize certain provisions of the Certificates, the Trust Agreement, the Lease Agreement or the tax-exempt status of the interest component of the Lease Payments, fairly and accurately summarize the information presented therein; provided that Special Counsel need not express any opinion with respect to any financial or statistical information contained therein.
- iii. The Certificates and the Town's obligations under the Trust Agreement are exempt from registration under the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(3) *Disclosure Counsel.* An opinion of Disclosure Counsel substantially in form and substance satisfactory to the Underwriter.

(4) *Corporation Counsel Opinion.* An opinion of counsel to the Corporation, dated the date of the Closing and addressed to the Town, the Trustee and the Underwriter, in form and substance acceptable to Special Counsel and the Underwriter, substantially to the following effect:

- i. The Corporation is a nonprofit corporation duly incorporated and validly existing under the laws of the State of California.
- ii. The resolution ("Corporation Resolution") of the Corporation approving and authorizing the execution and delivery of the Corporation Documents is in full force and effect and has not been modified, amended or rescinded.
- iii. The Corporation Documents have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles where equitable remedies are sought and to the exercise of judicial discretion in appropriate cases;

- iv. Except as otherwise disclosed in the Official Statement and to the knowledge of such counsel, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, governmental board or body, pending and served or overtly threatened in writing against the Corporation, challenging the creation, organization or existence of the Corporation, or the validity of the Certificates or the documents to which the Corporation is a party, or contesting the authority of the Corporation to enter into or perform its obligations under any of the documents to which the Corporation is a party, or which questions the issuance of the Certificates.

(5) *Town Certificate.* A certificate of the Town, dated the date of the Closing, signed on behalf of the Town by the Superintendent or other duly authorized officer of the Town to the effect that:

- i. The representations, warranties and covenants of the Town contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Town has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Town at or prior to the date of the Closing.
- ii. No event affecting the Town 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.

(6) *Corporation Certificate.* A certificate of the Corporation, dated the date of the Closing, signed on behalf of the Corporation by the Executive Director or other duly authorized officer of the Corporation to the effect that:

- i. The representations, warranties and covenants of the Corporation contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Corporation has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Corporation at or prior to the date of Closing; and
- ii. No event affecting the Corporation 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.

(7) *Trustee Certificate.* A certificate of the Trustee, dated the date of Closing, addressed to the Corporation, the Town and the Underwriter to the following effect:

- i. The Trustee is duly organized and existing as a banking association in good standing under the laws of the United States, having the full power and authority to enter into and perform its duties under the Trust Agreement and the Assignment Agreement.
- ii. The Trustee is duly authorized to enter into the Trust Agreement and the Assignment Agreement and the Trust Agreement and the Assignment Agreement have been duly executed and delivered by the Trustee.
- iii. To the knowledge of the Trustee, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental body, public board or body served upon the Trustee or threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Trust Agreement and the Assignment Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligation under the Trust Agreement and the Assignment Agreement.

(8) *Documents.* An original executed copy of each of the Town Documents.

(9) *Federal Tax Law Compliance.* An arbitrage certificate executed by the Town and satisfactory in form and substance to Special Counsel and the Town.

(10) *Form 8038-G.* Evidence that the federal tax information form 8038-G has been executed by the Town.

(11) *Additional Documents.* Such additional certificates, instruments and other documents as Special Counsel, the Town or the Underwriter may reasonably deem necessary.

If the Town or the Corporation shall be unable to satisfy the conditions contained in this Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter, the Town, nor the Corporation shall be under further obligation hereunder, except as further set forth in Section 8.

8. **Expenses.** Whether or not the Underwriter accepts delivery of and pays for the Certificates as set forth herein, the Underwriter shall be under no obligation to pay, and the Corporation and the Town shall pay or cause to be paid the expenses incident to the performance

of the obligations of the Corporation and the Town 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 Town Documents and the cost of preparing, printing, issuing and delivering the definitive Certificates; (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the Town; (c) the fees and disbursements of Disclosure or Special Counsel; (d) the cost of preparation and printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including the requisite number of copies thereof for distribution by the Underwriter; and (e) charges of rating agencies for the rating of the Certificates.

Whether or not the Underwriter accepts delivery of and pays for the Certificates as set forth herein, the Underwriter shall pay, and the Town and the Corporation shall not be under an obligation to pay, CUSIP Bureau and CDIAC fees and expenses, fees and expenses to qualify the Certificates for sale under any “blue sky” laws, fees and expenses of counsel to the Underwriter, and all other expenses incurred by it in connection with the public offering and distribution of the Certificates.

9. **Notice.** Any notice or other communication to be given to the Town or the Corporation under this Purchase Agreement may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to the following:

[]

10. **Entire Agreement.** This Purchase Agreement, when accepted by the Town and the Corporation shall constitute the entire agreement between the Town, the Corporation and the Underwriter and is made solely for the benefit of the Town, the Corporation and the Underwriter (including the successors or assigns of any Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the Town’s representations, warranties and agreements in this Purchase Agreement 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 Certificates hereunder, and (b) any termination of this Purchase Agreement.

11. **Counterparts.** This Purchase Agreement 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.

12. **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.

13. **State of California Law Governs.** The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State.

14. **No Assignment.** The rights and obligations created by this Purchase Agreement shall not be subject to assignment by either the Underwriter, the Town, or the Corporation without the prior written consent of the other parties hereto.

UNDERWRITER

By: _____
Authorized Representative

By: _____
Authorized Representative

Accepted as of the date first stated above:

TOWN OF COLMA

By: _____
City Manager

APPENDIX A
\$ _____
Certificates of Participation
(Town Hall Improvement Project)
Evidencing Direct, Undivided Fractional Interests of the Owners thereof
in Lease Payments to be Made by the
TOWN OF COLMA

MATURITY SCHEDULE

<u>Maturity</u> <u>(_____1)</u>	<u>Amount</u> \$	<u>Coupon</u> %	<u>Yield</u> %	<u>Price</u>
------------------------------------	---------------------	--------------------	-------------------	--------------

TOTAL	\$			
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FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and delivered by and between THE TOWN OF COLMA (the “Issuer”) and [_____], a national banking association (the “Dissemination Agent”) in connection with the issuance of the \$_____ Town of Colma 2015 Certificates of Participation (Town Hall) (the “Certificates”). The Certificates are being issued pursuant to a Trust Agreement dated as of August 1, 2015 (the “Trust Agreement”) between the Issuer and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the “Trustee”). The Issuer and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Owners of the Certificates and in order to assist the Participating Underwriter (as defined herein) in complying with S.E.C. Rule 15c-12(b)(5).

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

“Annual Report” shall mean any Annual Reports provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Director of Finance and City Manager or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean [_____], acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Fiscal Year” shall mean the twelve-month period beginning on July 1 of each year and ending on June 30 of the following year.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission’s internet site at www.sec.gov.

“Official Statement” means the Official Statement regarding the Certificates dated _____, 2015.

“Participating Underwriter” shall mean the original underwriter of the Certificates required to comply with the Rule in connection with the offering of the Certificates. The Participating Underwriter is _____.

“Repository” shall mean each National Repository and each State Repository.

“Reserve Facility” shall mean any surety bond, insurance policy, letter of credit or other similar facility guaranteeing payment of principal and interest with respect to the Certificates which the Issuer may provide for all or part of the Reserve Fund.

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

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

“Tax-exempt” shall mean that interest on the Certificates is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than April 1 of each year, commencing April 1, 2016, provide to each Repository, and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. The information contained or incorporated in each Annual Report shall be for the Fiscal Year which ended on the preceding June 30. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certifications of the Issuer and shall have no duty or obligation to review any such Annual Report.

(b) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date specified in subsection (a), the Dissemination Agent shall send a notice to each Repository and the Bond Insurer, or, in the alternative, the Municipal Securities Rulemaking Board and the Bond Insurer, in substantially the form attached as Attachment A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) to the extent it can confirm such filing of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

1. The principal amount of the Certificates outstanding.
2. The balance on deposit in the Reserve Fund or the face amount of any Reserve Facility.
3. Any failure of the Issuer or the Trustee to pay principal or interest with respect to the Certificates on any scheduled payment date since the date of the last Annual Report.
4. The amount of any funds withdrawn from the Reserve Fund or draw on any Reserve Facility to pay principal or interest with respect to the Certificates since the date of the last Annual Report.

5. The most recent audited financial statements of the Issuer.
6. Information regarding the filing and contents of any notice of any Listed Event which has been filed pursuant to Section 5 of this Disclosure Agreement since the date of the last Annual Report.

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

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give or cause to be given, notice of the occurrence of any of the following event:

1. Delinquency in payment when due of any principal or interest with respect to the Certificates.
2. Occurrence of any default under the Trust Agreement (other than as described in clause (1) above).
3. Amendment to or modification of the Trust Agreement or this Disclosure Agreement modifying the rights of the Owners of the Certificates.
4. Giving of a notice of optional or unscheduled redemption of any of the Certificates.
5. Defeasance of the Certificates or any portion thereof.
6. Any change in any rating on the Certificates.
7. Adverse tax opinions or events affecting the Tax-exempt status of the Certificates.
8. Any unscheduled draw on the Reserve Fund or any Reserve Facility reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. The release, substitution or sale of property securing repayment of the Certificates (including property leased, mortgaged or pledged as such security).

(b) The Dissemination Agent shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in clauses (a)(1), (4) or (5)), with no obligation to determine the materiality thereof, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For the purpose of this Disclosure Agreement “actual knowledge” means actual knowledge at the corporate trust office of the Dissemination Agent by an officer of the Dissemination Agent with responsibility for matters related to the administration of the Trust Agreement.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would constitute material information for Owners of the Certificates under applicable Federal securities law, provided that any event under subsection (a) (6) will always be deemed to be material.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board, the Bond Insurer and each State Repository. Notwithstanding the foregoing:

(i) Notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the Issuer gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) Notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Certificates pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The Issuer’s obligations under this Disclosure Agreement shall terminate upon the defeasance, prior prepayment or payment in full of all of the Certificates.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be [_____]. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Trustee. If at any time there is no designated Dissemination Agent appointed by the Issuer, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Issuer shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment requested by the Issuer, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities law, acceptable to the Issuer and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may, and, at the request of the Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of the outstanding Certificates, shall (but only to the extent funds in any amount satisfactory to the Dissemination Agent have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges whatsoever related thereto, including without limitation, fees and expenses of its attorneys), or any Owner of the Certificates may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Trust Agreement and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Trust Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its 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 be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed by the Issuer all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. Neither the Dissemination Agent nor the Trustee shall have any duty or obligation to review any information provided to it hereunder or shall be deemed to be acting in any fiduciary capacity for the Issuer, the Owners of the Certificates or any other party. The obligations of the Issuer under this section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any document or any further act.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure 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.

Dated: _____, 2015

TOWN OF COLMA, CALIFORNIA

By: _____
Authorized Officer

[_____]

By: _____
Authorized Signatory

**ATTACHMENT A
NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: TOWN OF COLMA

Name of Bond Issue: TOWN OF COLMA 2015 CERTIFICATES OF PARTICIPATION (TOWN HALL)

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-referenced Certificates as required by the Trust Agreement dated as of August 1, 2015 between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Issuer anticipates that _____ the _____ Annual Report will be filed by _____.

Dated: _____

_____, as Dissemination Agent on Behalf of the Issuer

By: _____
Authorized Signatory



PRELIMINARY OFFICIAL STATEMENT DATED _____, 2015

In the opinion of Best Best & Krieger LLP, San Diego, California, Special Counsel, under existing law, interest with respect to the Certificates is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Certificates with certain covenants contained in the legal documents authorizing the delivery of the Certificates, and subject to the matters set forth under the caption "CONCLUDING INFORMATION — Tax Matters" herein, interest with respect to the Certificates for federal income tax purposes under existing statutes, regulations, published rulings and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates, and will not be included in computing the alternative minimum taxable income of individuals, or, except as described herein, corporations. See "CONCLUDING INFORMATION — Tax Matters" herein.

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS:

_____: "____"
(See "CONCLUDING INFORMATION — Ratings" herein.)

\$ _____*

TOWN OF COLMA
2015 CERTIFICATES OF PARTICIPATION
(TOWN HALL)

Dated: Date of Delivery

Due: _____ 1, as set forth herein

The Certificates will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Certificates will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest payable with respect to the Certificates will be payable on _____ 1 and _____ 1 of each year, commencing ____ 1, 20____, and principal payable on the Certificates will be paid on September 1 in the years set forth on the maturity schedule on the inside cover of this Official Statement. Payments of principal of and interest with respect to the Certificates will be paid by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates.

The Certificates are being sold, executed and delivered to: (i) provide funds to the Town of Colma (the "Town") to finance the construction of improvements to the Town Hall as described herein; (ii) fund, in whole or in part, a reserve fund for the Certificates; and (iii) pay certain costs of issuing the Certificates.

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

The Certificates evidence and represent undivided proportionate interests in the right to receive certain Lease Payments (which include principal and interest components) to be made by the Town for the right to the use of certain real property and improvements (the "Leased Premises") pursuant to that certain Lease Agreement, dated as of August 1, 2015 (the "Lease Agreement"), by and between the Town, as lessee, and the Public Property Financing Corporation of California (the "Corporation"), as lessor. The Town has covenanted in the Lease Agreement to make the Lease Payments for the Leased Premises, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. The Lease Payments are subject to abatement, however. See "SECURITY FOR THE CERTIFICATES" and "RISK FACTORS" herein.

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

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

Maturity Schedule

(See inside cover page)

The Certificates are offered when, as and if sold, executed and delivered, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Special Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Town by the City Attorney, Best Best & Krieger LLP, Walnut Creek, California. It is anticipated that the Certificates in book-entry form, will be available for delivery to DTC in New York, New York, on or about _____, 2015.

* Preliminary, subject to change.

\$ _____^{*}
TOWN OF COLMA
2015 CERTIFICATES OF PARTICIPATION
(TOWN HALL)

MATURITY SCHEDULE^{*}
(Base CUSIP:[†] _____)

<u>Maturity Date</u> (____1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
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\$ _____ % Series Certificates due September 1, _____, Price: ____% CUSIP:[†] _____
 \$ _____ % Series Certificates due September 1, _____, Price: ____% CUSIP:[†] _____

* Preliminary; subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Service (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2015 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Town nor the Underwriter takes responsibility for the accuracy of such numbers.

TOWN OF COLMA, CALIFORNIA

CITY COUNCIL

Joanne F. del Rosario, Mayor
Diana Colvin, Vice Mayor
Helen Fisicaro, Council Member
Raquel Gonzalez, Council Member
Joseph Silva, Council Member

TOWN STAFF

Sean Rabé, City Manager/City Clerk
Charles D. Francis, Finance Director
Best Best & Krieger LLP, City Attorney

SPECIAL SERVICES

Special Counsel and Disclosure Counsel

Best Best & Krieger LLP
San Diego, California

Trustee

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

Municipal Advisor

NHA Advisors
San Rafael, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

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

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

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE TOWN DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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[Insert Regional Map]

\$ _____ *

**TOWN OF COLMA
2015 CERTIFICATES OF PARTICIPATION
(TOWN HALL)**

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Certificates being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement.

General

The purpose of this Official Statement (which includes the cover page and the Appendices attached hereto) is to provide information concerning the execution and delivery of the Town of Colma (the “Town”) 2015 Certificates of Participation (Town Hall) (the “Certificates”).

The Town

Incorporated in 1924, the Town is located approximately 10 miles south of the City of San Francisco. The Town operates under a council-manager form of government, and is governed by a five-member City Council elected at large with four-year staggered terms. The Mayor is elected by the City Council from among its members every year. The positions of City Clerk, City Manager and City Attorney are filled by appointment of the City Council.

The Town encompasses approximately 2.0 square miles in San Mateo County (the “County”). The current population of the Town is approximately 1,480. For other selected information concerning the Town, see “APPENDIX A – TOWN OF COLMA GENERAL ECONOMIC AND FINANCIAL INFORMATION” hereto.

Authority for the Certificates

The Certificates are being executed and delivered pursuant to the provisions of a Trust Agreement, dated as of August 1, 2015 (the “Trust Agreement”), among the Town, the Public Property Financing Corporation of California (the “Corporation”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Purpose

The proceeds of the sale of the Certificates will be used, together with other available moneys, to: (i) provide funds to the Town to finance improvements to the Town Hall (the “Project”); (ii) fund, in whole or in part, a reserve fund for the Certificates; and (iii) pay certain costs of issuance of the Certificates. See “THE PROJECT AND THE LEASED PREMISES” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

* Preliminary, subject to change.

Security for the Certificates

The Certificates evidence and represent undivided proportionate interest in the right to receive certain Lease Payments and prepayments thereof. Lease Payments (as defined herein) will be made by the Town to the Corporation for the right to the use and occupancy of certain real property and improvements thereon (the “Leased Premises”) (see “THE PROJECT AND THE LEASED PREMISES — The Leased Premises” below). The Leased Premises will be leased by the Town from the Corporation pursuant to a Lease Agreement, dated as of August 1, 2015 (the “Lease Agreement”), between the Town, as lessee, and the Corporation, as lessor.

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

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

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

Abatement

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

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

Prepayment

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

Limited Obligations

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

Summaries Not Definitive

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

Copies of the documents described herein will be available at the City Manager's office, Town of Colma, 1198 El Camino Real, Colma, CA 94014.

CONTINUING DISCLOSURE

The Town has covenanted in a Continuing Disclosure Agreement for the benefit of owners of the Certificates to annually provide certain financial information and operating data relating to the Town by not later than nine months after the end of the Town's Fiscal Year (presently June 30) in each year commencing with its report for Fiscal Year 2014-15 to be delivered not later than April 1, 2016 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Town has agreed in the Continuing Disclosure Agreement to file, or cause to be filed, to the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, an annual report and notices of certain material events. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the Town is contained in "APPENDIX E — FORM OF CONTINUING DISCLOSURE AGREEMENT."

Failure of the Town to provide the required information at the required time may have a negative impact on the value of the Certificates in the secondary market.

The Town previously issued its 2003 Certificates of Participation (Town of Colma Capital Improvement Projects) (the "2003 Certificates"). Pursuant to the Continuing Disclosure Certificate for the 2003 Certificates, the Town was required to file an annual report containing certain financial information and operating data relating to the Town by not later than nine months after the end of the Town's Fiscal Year (April 1) in each year commencing April 1, 2004, with its report for Fiscal Year 2002-03. As described below, on several occasions during the past five years, the Town did not fully comply with its respective prior continuing disclosure undertakings under the Rule with respect to the 2003 Certificates.

A review of the previous continuing disclosure filings by the Town for the 2003 Certificates shows that the Town filed its annual report and audited financial statement approximately 5 months late in 2011. Additionally, in 2011, 2012, and 2013, the Town did not file the following information with its then annual report: (i) sales tax information, including the most currently available level of taxable transactions; (ii) assessed valuation of property in the Town for the most recent Fiscal Year; (iii) tax revenues by source; and (iv) the general fund budget for the applicable Fiscal Year. The Town also did not file notices of rating downgrades of the municipal bond insurer that insured the 2003 Certificates, as required by the then-existing continuing disclosure obligations. The 2003 Certificates matured on May 1, 2014. The Town has subsequently filed notices of the late filing; sales tax information, including the most currently available level of taxable transactions; assessed valuation of property in the Town for the most recent Fiscal Year; tax revenues by source; the general fund budget for the applicable Fiscal Year; and notices of the rating changes. The subsequent filings, notices, and event notices have been filed with EMMA.

Except as disclosed in the prior paragraphs, the Town has not in the last five years failed to comply with any previous continuing disclosure undertaking in any material respect.

THE PROJECT AND THE LEASED PREMISES

The construction of the Project is being financed partially with proceeds of the Certificates and partially with a Town contribution in the amount of \$_____ million.

The Project consists of design work and construction for the remodeling of the Town's Town Hall with the goal of making the building compliant with the Americans with Disabilities Act, energy efficient, and state-of-the art, while respecting the historical elements currently in place. The construction and installation of the Project shall be completed on or prior to December 31, 2017.

The Town intends to lease the property upon which the Town's police station and certain public improvements constructed thereon and owned by the Town (the "Leased Premises") to the Corporation and to lease the Leased Premises back from the Corporation. The Town is authorized pursuant to the laws of the State of California to enter into leasehold agreements for such purpose.

Release of Property; Substitution

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

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

See "APPENDIX B — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Lease Agreement — Release and Substitution."

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Certificates are anticipated to be applied as follows:

SOURCES:

Town Contribution \$
Principal Amount of Certificates
[Plus Net Original Issue Premium]

Total Sources

USES:

Acquisition Fund ⁽¹⁾
Reserve Fund
Delivery Costs Fund ⁽²⁾

Total Uses:

-
- (1) To be used to finance a portion of the Project (see “THE PROJECT AND THE LEASED PREMISES” above).
(2) Includes Underwriter’s discount, premium for the Insurance Policy and other costs of issuing the Certificates.

THE CERTIFICATES

General

The Certificates shall be delivered in the form of fully registered Certificates, without coupons, in denominations of \$5,000 or any integral multiple thereof, and shall be dated the date of delivery to the original purchaser thereof. The Certificates will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement.

The Certificates, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Certificates, all payments on the Certificates will be made directly to DTC, and disbursement of such payments to the DTC “Participants” (as defined in Appendix F) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined in Appendix F) will be the responsibility of the Participants, as more fully described in “Book-Entry Only System” below.

Interest with respect to the Certificates is payable on _____ 1 and _____ 1 of each year, commencing _____ 1, 20____, and continuing to and including the date of maturity or prepayment, whichever is earlier.

Principal represented by the Certificates is payable on _____ 1 in each of the years and in the amounts set forth on the inside front cover of this Official Statement.

Any Certificate may be transferred upon the registration books kept by the Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Certificates may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee is not required to register the transfer or exchange of any Certificate during the period the Trustee is selecting Certificates for prepayment or any certificate selected for prepayment.

Prepayment of the Certificates*

Optional Prepayment. Certificates maturing on or after _____ 1, 20__,* are subject to prepayment in whole or in part from prepayments made at the option of the Town pursuant to the Lease Agreement on or after _____ 1, 20__* or any date thereafter, at a prepayment price equal to the principal amount thereof plus a premium (as set forth in the following schedule) together with interest accrued with respect thereto to the date fixed for prepayment.

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

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

In the event that the Trustee prepays Certificates in part, but not in whole, pursuant to subsections an optional prepayment or a prepayment from Net Proceeds of insurance or condemnation, the amount of the Certificates to be prepaid in each subsequent year pursuant to a mandatory sinking fund prepayment will be modified to correspond to the principal components of the Lease Payments prevailing following such prepayment.

In providing for the mandatory sinking fund prepayment of Certificates, the Trustee may, at the written direction of the Town, utilizing funds on deposit in the Lease Payment Fund, purchase in the open market Certificates in the full principal amount of the Certificates to be prepaid on any prepayment date, or any part thereof; provided that the Town will not direct the Trustee to purchase Certificates for such purpose after the 75th day preceding any such prepayment date, and provided further that the Town shall not provide for the purchase of Certificates, at a purchase price for any Certificate which exceeds the principal amount thereof. If the Trustee purchases Certificates in a principal amount which is less than the full principal amount of the Certificates to be prepaid on the succeeding prepayment date, the Trustee shall, at the written direction of the Town, prepay Certificates in a principal amount equal to the remainder of the principal amount of Certificates to be prepaid on such prepayment date.

Extraordinary Prepayment. The Certificates are also subject to mandatory prepayment on any _____ 1 or _____ 1, in whole or in part, from the Net Proceeds of insurance or condemnation or sale of the Leased Premises and Site, which Net Proceeds are deposited in the Lease Payment Fund and credited as a Prepayment made by the Town pursuant to the Lease Agreement, at a prepayment price equal to the principal amount, together with accrued interest to the date fixed for prepayment, without premium.

* Preliminary, subject to change.

Selection of Certificates for Prepayment. Except with respect to mandatory sinking fund prepayment, whenever less than all Outstanding Certificates are called for prepayment, the Trustee will select Certificates for prepayment, from the Outstanding Certificates not previously called for prepayment, such that, as nearly as practicable, approximately equal principal, interest and mandatory sinking fund prepayment payments prevail with respect to the Certificates in each Fiscal Year following the prepayment as determined by the Town. The Trustee will select Certificates for prepayment by lot within a maturity in any manner which the Trustee in its sole discretion deems appropriate and fair.

Notice of Prepayment. The Trustee will give notice of the prepayment specifying: (a) that the Certificates or a designated portion thereof are to be redeemed, (b) the date of prepayment, (c) the place or places where the prepayment will be made and (d) if money has been deposited to the appropriate fund or account under the Trust Agreement, that on the specified date there will become due and payable upon each Certificate, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto will cease to accrue and be payable.

Notice of prepayment shall be mailed by first class postage prepaid to the Securities Depositories and to one or more of the Information Services, to the managing member of such syndicate and to the respective Owners of Certificates designated for prepayment at their addresses appearing on the Certificate registration books at least 30 days but not more than 60 days prior to the prepayment date, which notice will, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal thereof which is to be redeemed.

The Trust Agreement provides that neither failure to receive a redemption notice nor any immaterial defect in any notice will affect the sufficiency of the proceedings for the prepayment of Certificates.

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – BOOK-ENTRY PROVISIONS" herein.

The Town and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Town and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

Schedule of Lease Payments

The table below shows the annual Lease Payments owed by the Town. The Lease Payments are due fifteen days prior to each Interest Payment Date.

<u>September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
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Total

SECURITY FOR THE CERTIFICATES

General

Lease Payments. In the Lease Agreement, the Town agrees to pay the Lease Payments to the Corporation as rental for the use and occupancy of the Leased Premises. The Lease Payments are denominated into components of principal and interest that correspond to the components of principal and interest with respect to the Certificates.

The Town covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. However, the obligation of the Town to make Lease Payments (other than to the extent that funds to make Lease Payments are available in the Lease Payment Fund or Reserve Fund, or otherwise available from an insurance or eminent domain award) may be abated in whole or in part if the Town does not have use and possession of all or part of the Leased Premises.

Assignment of Rights to the Trustee. The Corporation, pursuant to the Trust Agreement, has assigned its rights, including its right to receive Lease Payments and its remedies under the Lease Agreement, to the Trustee for the benefit of the Owners of the Certificates.

Certificates. Each Certificate evidences and represents an undivided interest in the Lease Payments due under the Lease Agreement on the payment date or prepayment date of such Certificate.

Lease Payments

Lease Payments are required to be made by the Town under the Lease Agreement 15 Business Days prior to each Interest Payment Date (individually, a "Lease Payment Date"), for use and possession of the Leased Premises to the next occurring Lease Payment Date.

Lease Payments are required to be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on each Lease Payment Date the Trustee will withdraw from the Lease Payment Fund the amount of the Lease Payment then due and will apply such amounts to make principal and interest payments due with respect to the Certificates.

Appropriation; Use of Leased Premises

The Town covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. The Lease Agreement provides that this covenant shall be deemed to be and shall be construed to be a duty imposed by law, and it shall be the duty of each and every public official of the Town to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Town to carry out and perform the budget and appropriation covenant.

The Lease Agreement provides that the obligation of the Town to pay Lease Payments constitutes a current expense of the Town and shall not in any way be construed to be a debt of the Town in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the Town, and that nothing in the Lease Agreement constitutes a pledge of the general tax revenues, funds or moneys of the Town. Lease Payments are payable only from current funds which are budgeted and appropriated, or otherwise legally available, for the purpose of paying Lease Payments as consideration for use of the Leased Premises during the Fiscal Year of the Town for which such funds were budgeted and appropriated or otherwise made legally available for such purpose. The

Lease Agreement does not create an immediate indebtedness for any aggregate payments which may become due thereunder. The Town has not pledged the full faith and credit of the Town, the State of California or any agency or department thereof to the payment of the Lease Payments, the Certificates or the interest thereon.

Reserve Fund

A Reserve Fund, established under the Trust Agreement, will initially be funded from proceeds of the Certificates (see “ESTIMATED SOURCES AND USES OF FUNDS” hereof), and must be maintained in an amount (the “Reserve Requirement”) equal to the least of (i) 10% of the proceeds of the Certificates, (ii) maximum aggregate Lease Payments required to be paid in any Certificate Year, or (iii) 125% of the average annual Lease Payment.

Amounts in the Reserve Fund are to be used only for the payment of Lease Payments to the extent amounts in the Lease Payment Fund are insufficient therefor or in the event of a full or partial defeasance of the Certificates.

At the option of the Town, amounts to be held in the Reserve Fund may be replaced, in whole or in part, by a Reserve Fund Credit Facility deposited with the Trustee.

See “APPENDIX B — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for more information about the Reserve Fund.

Assignment; Recourse on Default

Pursuant to the Trust Agreement, the Corporation assigns to the Trustee for the benefit of the Owners of the Certificates its rights and remedies under the Lease Agreement, including its rights to receive amounts payable by the Town under the Lease Agreement.

If the Town defaults on its obligations under the Lease Agreement, the Trustee, as assignee of the Corporation, may exercise any and all remedies authorized by law or granted to the Corporation pursuant to the Lease Agreement. The Lease Agreement expressly authorizes the Trustee, as assignee of the Corporation, to re-enter the Leased Premises for the purpose of removing persons and personal property and of re-letting the Leased Premises and, at its option, to terminate the Lease Agreement. In the event the Trustee, as assignee of the Corporation, does not elect to terminate the Lease Agreement, it may enforce the Lease Agreement and hold the Town liable for all Lease Payments and the performance of all conditions under the Lease Agreement. Any reentry and re-letting will not affect a surrender of the Lease Agreement. The Town, in the event of default, waives all rights to any rentals received by the Trustee through re-letting of the Lease Agreement. The Town agrees to pay any and all costs, loss or damage, howsoever occurring, as a result of any reentry or reletting. See “RISK FACTORS — Bankruptcy;” “— Limitation as Enforcement of Remedies” and “— No Acceleration” herein for a discussion of factors potentially limiting the available remedies in the event of a default.

The Town may not mortgage, pledge, assign or transfer its interest in the Lease Agreement except as specifically provided in the Lease Agreement. The Lease Agreement authorizes the Town to sublease a portion of the Leased Premises in the circumstances described in “APPENDIX B — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Insurance

The Lease Agreement requires the Town to maintain certain insurance with respect to the Leased Premises (see “APPENDIX B — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Lease Agreement”), including the policies described in the following paragraphs.

General Liability. The Lease Agreement requires the Town to maintain a standard comprehensive general liability insurance policy or policies in protection of the Town, the Corporation and its members, officers, agents and employees, and the Trustee, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$250,000 for damage to property (subject to a deductible clause of not to exceed \$200,000) resulting from a single accident or event. In the alternative, the public liability and property damage insurance may be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks.

The liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the Town, and may be maintained in whole or in part in the form of self-insurance by the Town.

Workers’ Compensation. The Lease Agreement requires the Town to maintain workers’ compensation insurance against liability for compensation under the Workers Compensation Insurance and Safety Act of California or any similar law.

Fire and Extended Coverage. The Lease Agreement requires the Town to maintain insurance against loss or damage to any structures constituting any part of the Leased Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. The extended coverage insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

This insurance must be in an amount equal to the greater of (a) 100% of the replacement cost of such structures on the Leased Premises or (b) the principal amount of the outstanding Certificates. The fire and extended coverage insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss, may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Town, and may not be maintained in whole or in part in the form of self-insurance by the Town.

Rental Interruption or Use and Occupancy Insurance. The Lease Agreement requires the Town to maintain rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any structures constituting any part of the Leased Premises as a result of any of the hazards covered in the fire and extended coverage policy, in an amount sufficient to pay the maximum Lease Payments with respect thereto payable in any 12-month period.

The Net Proceeds of an rental interruption or use and occupancy insurance will be paid to the Trustee and deposited in the Lease Payment Fund, and will be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Title Insurance. Upon the execution and delivery of the Certificates the Town will provide one or more CLTA leasehold title insurance policies in the aggregate amount of not less than the initial principal amount of the Certificates with respect to the Town’s leasehold interest in the Site. All Net Proceeds received under the title insurance policy will be deposited with the Trustee in the Lease

Payment Fund and shall be credited towards the prepayment of the remaining Lease Payments. Because of the nature of the Streets, the Town will not acquire title insurance covering the Streets.

No assurance can be given that insurance proceeds will be adequate to avoid an interruption of Lease Payments. Under such a situation, an abatement of Lease Payments is likely to occur. See “RISK FACTORS – Abatement” below.

Additional Payments

The Town is responsible for all improvement, repair and maintenance of the Leased Premises, for the payment of all utility services supplied to the Leased Premises, and for the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear or want of care on the part of the Town or any assignee or lessee thereof.

The Town will also pay all taxes and assessments of any type or nature payable during the term of the Lease Agreement.

RISK FACTORS

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

No Tax Pledge

The obligation of the Town to pay the Lease Payments does not constitute an obligation of the Town or the State for which the Town or the State has levied or pledged any form of taxation. The obligation of the Town to pay Lease Payments does not constitute a debt or indebtedness of the Town, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Appropriation

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the Town, the Town is obligated under the Lease Agreement, so long as the Leased Premises are available for its use and possession, to pay Lease Payments from any source of legally available funds (subject to certain exceptions) and has covenanted in the Lease Agreement that, for so long as the Leased Premises are available for its use, it will make the necessary annual appropriations within its budget for all Lease Payments.

However, the Town may incur obligations payable from general revenues which may have a priority over the Lease Payments, and the Lease Agreement does not prohibit the Town from incurring additional obligations payable from general revenues on a parity with the Lease Payments. See “APPENDIX A – TOWN OF COLMA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION” herein and the financial statements included in APPENDIX C hereto.

In the event the Town's revenue sources are less than its total obligations, the Town could choose to fund other municipal services before making Lease Payments and other payments due under the Lease Agreement, except from amounts on deposit in the Lease Payment Fund. The Town's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the Town to pay Lease Payments when due (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below).

No Limit on Additional Debt

The Town has the ability to enter into other obligations which may constitute additional charges against its general revenues, and has previously issued certificates of participation similarly payable from its general fund. To the extent that such additional obligations are incurred by the Town, the funds available to make Lease Payments may be decreased.

Abatement

Abatement As a Result of Damage or Destruction. The amount of the Lease Payments relating to structures on the Leased Premises will be abated during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy of the structures on the Leased Premises by the Town.

The amount of the abatement will be determined by the Town so that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Premises not damaged or destroyed. The failure to make such payments of principal and interest would not under such circumstances constitute a default under the Trust Agreement, the Lease Agreement or the Certificates.

The 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 damage or destruction, the Lease Agreement will continue in full force and effect and, in the Lease Agreement, the Town waives any right to terminate the Lease Agreement by virtue of any such damage or destruction.

There will be no abatement of Lease Payments as a result of damage or destruction in the event and to the extent that the net proceeds of rental interruption insurance are available to pay lease payments (see " – Insurance" below) and to the extent that amounts in the Reserve Fund are available.

Eminent Domain. If all of the Leased Premises are taken permanently under the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Leased Premises are taken permanently, or if all of the Leased Premises or any part thereof is taken temporarily, under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, but in no event will the resulting Lease Payments be less than the amount required for the payment of the principal and interest with respect to outstanding Certificates as the same become due and payable.

Limitation on Enforcement of Remedies; No Acceleration

The enforcement of any remedies provided in the Lease Agreement and Trust Agreement could prove both expensive and time consuming. Although the Lease Agreement provides that the Trustee may take possession of the Leased Premises and lease it if there is a default by the Town, and the Lease Agreement provides that the Trustee may have such rights of access to the Leased Premises as may be necessary to exercise any remedies, portions of such Leased Premises may not be easily recoverable and could be of little value to others. Furthermore, depending upon whether the Leased Premises are considered to serve an essential governmental function (as is likely to be the case with respect to the Town's police station), it is not certain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. See "THE PROJECT AND THE LEASED PREMISES" herein.

IN THE EVENT OF A DEFAULT UNDER THE LEASE AGREEMENT, THERE IS NO AVAILABLE REMEDY OF ACCELERATION OF THE TOTAL LEASE PAYMENTS DUE OVER THE TERM OF THE LEASE AGREEMENT. THE TOWN WILL ONLY BE LIABLE FOR LEASE PAYMENTS ON AN ANNUAL BASIS AS THEY COME DUE, AND THE TRUSTEE WOULD BE REQUIRED TO SEEK SEPARATE JUDGMENTS FOR THE LEASE PAYMENTS AS THEY COME DUE. IN ADDITION, ANY SUCH SUIT FOR MONEY DAMAGES COULD BE SUBJECT TO LIMITATIONS ON LEGAL REMEDIES AGAINST PUBLIC AGENCIES IN CALIFORNIA, INCLUDING A LIMITATION ON ENFORCEMENT OF JUDGMENTS AGAINST FUNDS NEEDED TO SERVE THE PUBLIC WELFARE AND INTEREST AND A LIMITATION ON ENFORCEMENT OF JUDGMENTS AGAINST FUNDS OF A FISCAL YEAR OTHER THAN THE FISCAL YEAR IN WHICH THE LEASE PAYMENTS WERE DUE.

Geologic, Topographic and Climatic Conditions

The value of the Leased Premises, and the financial stability of the Town, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods), climatic conditions (such as droughts) and fires.

The area encompassed by the Town, like that in much of California, is subject to unpredictable seismic activity. According to the Safety Element of the town's General Plan, the Town is not within an Alquist-Priolo Special Safety Zone and no active faults are known to occur directly under the Town. In addition, there are known fault splays beneath the Leased Premises. However, the Town could be at risk from strong ground motion from a number of nearby seismic faults. The Town is not obligated under the Lease Agreement and does not intend to procure and maintain, or cause to be procured or maintained, earthquake insurance on the Leased Premises. If any portion of the Leased Premises is destroyed by an earthquake, abatement could occur and result in the Trustee having inadequate funds to pay the principal and interest represented by the Certificates.

Hazardous Substances

Discovery of hazardous substances on parcels within the Town could impact the Town's ability to pay debt service with respect to the Certificates.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance.

The effect, therefore, should the Leased Premises or any substantial amount of property within the Town be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction in the value of the Leased Premises could adversely impact the fair rental value of the Leased Premises and potentially result in abatement of the Lease Payments. In addition, reduction in the value of property in the Town as a whole could reduce property tax revenues received by the Town and deposited in the general fund, which could significantly and adversely affect the ability of the Town to make Lease Payments.

Impact of State Budget

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

On January 9, 2015, the State Governor released his proposed budget for State fiscal year 2015-16 (the “Proposed Budget”). Although the Governor’s Budget Summary for the Proposed Budget (the “2015-16 Proposed Budget Summary”) proposes a balanced budget, the 2015-16 Proposed Budget Summary cautions that, since 2000, the State’s short periods of balanced budgets have been followed by massive budget shortfalls. The following information is taken from the LAO’s overview of the Proposed Budget, dated January 13, 2015.

The Proposed Budget assumes, for State fiscal year 2014-15, total general fund revenues and transfers of approximately \$108 billion and authorizes total expenditures of approximately \$111.7 billion. The State is projected to end the 2014-15 fiscal year with a general fund surplus of approximately \$2.1 billion, composed of a balance of approximately \$452 million in the State’s traditional budget reserve and balance of approximately \$1.6 billion in the Budget Stabilization Account (the “BSA”), the State basic reserve fund. For State fiscal year 2015-16, the Proposed Budget assumes total general fund revenues of approximately \$113.4 billion and authorizes expenditures of approximately \$113.3 billion. The State is projected to end State fiscal year 2015-16 fiscal year with general fund surplus of approximately \$3.4 billion, composed of a balance of approximately \$534 million in the budget reserve and an approximately \$2.8 billion in the BSA. The balance in the BSA includes a deposit of approximately \$1.2 billion mandated by the provisions of the State Constitution. However, the 2015-16 Proposed Budget Summary also notes that commitments made by the State in the past two years are already straining the State’s finances. Under a projection of current policies, the 2015-16 Proposed Budget Summary anticipates that the State would begin to spend more than it receives in annual revenues by State fiscal year 2018-19, by

an amount of approximately \$1 billion. The City cannot predict whether the State will take steps, in response to a future budget shortfall, which would reduce the amount of tax revenue available to the City.

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

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

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

- Law Enforcement. The Proposed Budget proposes to continue a \$40 million general fund allocation to "front line" law enforcement activities. The Board of State and Community Corrections allocates funds to individual cities acting as the fiduciary agent within each county receiving the funds.
- Transportation. The Proposed Budget includes total funding of approximately \$15.8 billion (approximately \$84 million from the general fund and \$15.7 billion from other funds) for all programs administered within the State Transportation Agency. In addition, the shared revenues budget allocates over \$1.4 billion in fuel excise tax to cities and counties for local streets and roads.
- Elimination of Redevelopment Agencies. The Proposed 2014-15 Budget anticipates that in State fiscal years 2014-15 and 2015-16 combined, cities will receive approximately \$580 million, approximately \$660 million, and special districts approximately \$200 million.
- Property Taxes. The Proposed Budget anticipates ongoing property tax revenues of more than \$900 million annually to be distributed to cities, counties, and special districts that can be used by local governments to fund police, fire, and other critical public services.
- State Mandate Reimbursements. The Proposed Budget continues the suspension of most mandates not related to law enforcement or property taxes. After satisfying the State Constitutional funding guarantee, additional revenues of up to \$800 million are proposed to pay down the remainder of the State's pre-2004 mandate debt. The Proposed Budget estimates that a trigger mechanism will result in a \$533 million payment toward this mandate debt. These funds will provide counties, cities, and special districts with general purpose revenue.
- Deferred Maintenance. The Proposed Budget includes approximately \$478 million (approximately \$125 million from the general fund) for critical deferred maintenance at universities, community colleges and in State parks, prisons, State hospitals and other State facilities.

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

May Revision. On May 14, 2015, the State Governor released the May revision (the “May Revision”) to the Proposed Budget. is expected to release a revision to the Proposed Budget in or about mid-May 2015. The following information is drawn from the California Department of Finance’s (“DOF”) summary of the Proposed Budget, as revised by the May Revision.

The May Revision continues to project the expansion of the State and national economies, as well as an overall increase of \$6.7 billion to State general fund revenues attributable primarily to higher capital gains tax collections. The May Revision allocates only a small portion of these additional revenues to new spending areas, and instead allocates the bulk towards education funding, an additional deposit to the BSA of approximately \$633 million and additional payments towards outstanding State special fund loans.

After accounting for transfers to the BSA, the May Revision projects year-end general fund revenues for State fiscal year 2014-15 to be approximately \$111.3 billion, approximately \$3.3 billion higher than projected in the Proposed Budget. State general fund expenditures are also expected to increase by approximately \$2.8 billion, for a year-end total of approximately \$114.5 billion. The May Revision projects that the State will end fiscal year 2014-15 with a surplus of approximately \$3 billion, composed of a \$1.4 billion balance in the general fund reserve and a \$1.6 billion balance in the BSA. For State fiscal 2015-16, the May Revision projects State general fund revenues of approximately \$115 billion, approximately \$1.7 billion higher than previously projected. The May Revision would authorize State general fund expenditures of approximately \$115.3 billion, an increase of approximately \$2 billion from the expenditures set forth in the Proposed Budget. The State is projected to end fiscal year 2015-16 with a general fund surplus of approximately \$4.6 billion, composed of a \$1.1 billion balance in the general fund reserve and \$3.5 billion in the BSA.

The May Revision includes revised estimates of the minimum funding guarantees for schools for State fiscal year 2014-15. The State fiscal year 2014-2015 minimum funding guarantee is set at approximately \$66.3 billion, an increase of approximately \$3.1 billion from the revised level in the Proposed Budget. For State fiscal 2015-2016, the May Revision revises the minimum funding guarantee at approximately \$68.4 billion, an increase of approximately \$2.7 billion from the level included in the Proposed Budget.

The May Revision estimates that the trigger mechanism calculation will result in \$765 million payment toward pre-2004 mandate debt (an increase of approximately \$232 million from the Proposed Budget) owned by the State to cities, counties and special districts.]

The Town cannot predict whether the State Legislature will enact legislation impacting future revenues available to the Town for payment of Lease Payments. Given the level of the State’s budget deficit problems, it is possible that revenues available for payment of the Lease Payments may be reduced in the future by actions of the State Legislature. See “APPENDIX A – Town of Colma General Demographic and Financial Information.”

Information about the State budget and State spending is available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements for its various debt obligations, 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. All of such websites are provided for general informational purposes only and the material on such sites is in no way incorporated into this Official Statement.

Impact of Sales and Use Tax Redirection

The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The total sales tax rate within the Town is currently 9.00%. The proceeds of sales and uses taxes imposed within the Town are distributed by the State to various agencies, with the Town receiving 1.0% of the amount collected less 0.25% shifted to the State pursuant to a mechanism commonly known as “Triple Flip.” The 0.25% reduction in local sales tax is used to pay State economic recovery bonds, but cities and counties are then provided with ad valorem property tax revenues in lieu of these revenues. It is expected that the swap of sales taxes for property taxes will terminate shortly after the economic recovery bonds are repaid, which is currently expected to occur in the first quarter of Fiscal Year 2016.

The California State Board of Equalization administers collection of the sales and use tax. 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 Town 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 Town in administering the Town’s sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the Town.

It should be noted that certain features and consequences of this “Triple Flip” could impact the availability of revenues to pay Lease Payments. First, there may be a timing issue associated with the “backfill” of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the Town’s cash flow, but would cause the Town to lose investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Second, it is possible that the fees charged by the County for property tax administration, which are subtracted from property tax revenue collected by the County before it is allocated to the Town, could increase as a result of the various tasks required of the County by the redirection. In addition, the State Board of Equalization administration fee is likely to increase as a percentage of local sales and use tax received by the Town unless the State Board of Equalization reduces its fee, which it is unlikely to do because the cost of collecting the sales and use taxes on a per-transaction basis will not go down.

Third, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the Town to make Lease Payments, the Town may not know the exact amount of revenue available to pay Lease Payments.

Limitations on Remedies Available; Bankruptcy

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

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

In addition, failure by large property owners to pay property taxes when due may have an adverse impact on revenues available to pay Lease Payments.

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the Town to make Lease Payments may be affected if the Town 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 Town does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII B of the State Constitution" below.

Change in Law

No assurance can be given that the State or the Town electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, or that the City Council (with voter approval) will not enact amendments to the Town's Charter, in a manner that could result in a reduction of the Town's revenues and therefore a reduction of the funds legally available to the Town to make Lease Payments. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII C and Article XIII D of the State Constitution."

Loss of Tax Exemption

As discussed under "CONCLUDING INFORMATION – Tax Matters" herein, the interest represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date such Certificates were issued, as a result of future acts or omissions of the Town in violation of its covenants in the Trust Agreement and the Lease Agreement. Should such an event of taxability occur, the Certificates are not subject to early prepayment and will remain outstanding until maturity or until prepaid under one of the prepayment provisions contained in the Trust Agreement.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to one percent of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be 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 XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII A Litigation

In a Minute Order issued on November 2, 2001, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, Case No. 00CC03385, the Orange County Superior Court held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIII A when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties use a similar methodology in raising the taxable values of property beyond 2% in a single year.

On December 27, 2001, the Orange County Superior Court issued an order declaring the practice of “recapturing” to be unconstitutional. Following further actions on other related issues in the case (including the certification of class action status for this case), the court entered a Final Judgment on April 18, 2003, and the case is now released from the local court.

In 2002 two local courts (Los Angeles and San Diego) ruled differently on the “recapture” issue. When local courts differ, the subject matter is often subject to a uniformity review by higher courts to address statewide issues of uniformity and equal protection.

Orange County, the Orange County Tax Collector and the Orange County Assessor appealed the Superior Court ruling to California Court of Appeal for the Fourth Appellate District. The appellate court issued its ruling on March 26, 2004, overturning the trial court in the case (now captioned *County of Orange, et al., v. Bezaire*, Case No. G032412). The appellate court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year’s assessment, and that the base on which the 2% inflation factor is figured remains that of the original purchase price (or assessment at the time of new construction), not any reduced based resulting from a reassessment in the wake of a decline in property values.

On May 6, 2004, the case was appealed to the California Supreme Court as Case No. S124682. On July 21, 2004, the California Supreme Court denied the petition for review.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual “appropriations limit” or “Gann Limit” imposed by Article XIII B of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds that are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceed the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

For Fiscal Year 2014-15 the Town's appropriations limit was \$40,551,319.22, and its actual appropriations in Fiscal Year 2014-15 were approximately \$13,767,350.00. The Town's appropriations limit for Fiscal Year 2015-16 is approximately \$40,553,427.81, AND THE Town's revenues subject to the appropriation limit are \$15,006,080.00. The Town is subject to and is operating in conformity with Article XIII B.

Article XIII C and XIII D 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 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the Town to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

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

Property-Related Fees, Charges and Assessments. Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Fees and Charges. Article XIIC 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 Town 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 Town's General Fund. If such repeal or reduction occurs, the Town's ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIIC provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIID provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIID.

Impact on Town's General Fund. The approval requirements of Articles XIIC and XIID reduce the flexibility of the Town to raise revenues for the General Fund, and no assurance can be given that the Town will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

The Town does not believe that any material source of General Fund revenue is subject to challenge under Articles XIIC or XIID, or that Proposition 26 will adversely affect its General Fund revenues.

Judicial Interpretation. The interpretation and application of Articles XIIC and XIID 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.

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Articles XIII A, XIII B, XIIC and XIID and Propositions 218, 111, 62, 1A 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the Town.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Lease Payments.

Proposition 62. On November 4, 1986, California voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a "general tax") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "special tax") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation.

Most of the provisions of Proposition 62, which was a statutory initiative, were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because less than two-thirds of the voters voting on the measure had approved the tax. Claims for taxpayer relief where a local entity may have violated Proposition 62 are subject to a three-year statute of limitations, created by statute. In the case *Howard Jarvis Taxpayers Association v. City of La Habra* (2001), the California Supreme Court determined that this statute of limitations begins to run anew every time the city collects the challenged tax.

Proposition 1A of 2004. Proposition 1A of 2004, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the 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 exceptions. Proposition 1A of 2004 generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 1A of 2004 provided, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaimed that the shift is needed due to a severe state financial hardship, the shift was approved by two-thirds of both houses and certain other conditions were met. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Pending certain State actions, a Prop 1A shift could occur in State fiscal year in future fiscal years.

See APPENDIX A — TOWN FINANCIAL ECONOMIC AND DEMOGRAPHIC INFORMATION — State Budget and its Impact on the Town” for information about the State's budgets and shifts of local property revenues under Proposition 1A of 2004 (which must be repaid within three years).

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 XIII A, Article XIII B, Article XIII C, Article XIII D, and Propositions 1A of 2004, 22, 26 and 62 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time, other initiative measures could be adopted, further affecting the Town or its revenues or the ability of the Town to expend revenues.

CONCLUDING INFORMATION

Underwriting

_____ (the "Underwriter") is offering the Certificates at the prices set forth on the inside cover page hereof. The initial offering process may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the Certificates at a price equal to \$_____, which amount represents the principal amount of the Certificates (\$_____), less a net original issue discount of \$_____, and less an Underwriter's discount of \$_____. The Underwriter will pay certain of its expenses relating to the offering.

Legal Opinion

Best Best & Krieger LLP, San Diego, California, Special Counsel, will render an opinion substantially in the form of APPENDIX D hereto with respect to the validity and enforceability of the Town's obligations under the Lease Agreement and the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement.

Certain matters will be passed upon for the Town and the Corporation by the City Attorney, and for Best Best & Krieger LLP.

Fees payable to Special Counsel are contingent upon execution and delivery of the Certificates.

Tax Matters

The delivery of the Certificates is subject to delivery of the opinion of Best Best & Krieger LLP, San Diego, California, Special Counsel to the District ("Special Counsel"), to the effect that interest with respect to the Certificates for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates (the "Code"), of the owners thereof pursuant to Section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The delivery of the Certificates is also subject to the delivery of the opinion of Special Counsel, based upon existing provisions of the laws of the State of California that interest with respect to the Certificates is exempt from personal income taxes of the State of California. A form of

Special Counsel's anticipated opinion is included as APPENDIX D. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

Interest on all tax-exempt obligations, including the Certificates, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a financial asset securitization investment trust, a real estate investment trust ("REIT"), or a real estate mortgage investment conduit ("REMIC"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code.

In rendering the foregoing opinions, Special Counsel will rely upon the representations and certifications of the Town made in a certificate of even date with the initial delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Lease Agreement by the Town subsequent to the issuance of the Certificates. The Lease Agreement contains covenants by the Town with respect to, among other matters, the use of the proceeds of the Certificates and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest with respect to the Certificates to be includable in the gross income of the owners thereof from the date of the delivery of the Certificates.

Except as described above, Special Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Special Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Town described above. No ruling has been sought from the Internal Revenue Service (the "IRS") or the State of California with respect to the matters addressed in the opinion of Special Counsel, and Special Counsel's opinion is not binding on the IRS or the State of California. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures, the IRS is likely to treat the Town as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest with respect to the Certificates, the Town may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

A copy of the proposed opinion of Special Counsel is set forth in APPENDIX D hereto.

Litigation

The Town is not aware of any pending or threatened litigation concerning the validity of the Certificates or the Lease Agreement or challenging any action taken by the Town or the Corporation with respect to the Certificates or the Lease Agreement. Furthermore, the Town is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Lease Agreement or the Trust Agreement or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the Town taken with respect to any of the foregoing. There currently are no lawsuits and/or claims that have been filed against or threatened against the Town.

Ratings

_____, has assigned the Certificates a rating of “__.”

Ratings reflect only the views of the rating agency referred to in the previous paragraph. Explanations of the significance of such ratings must be obtained from the rating agencies. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

Miscellaneous

All of the descriptions of applicable law, the Lease Agreement, the Trust Agreement, the Leased Premises, the Town, the Corporation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Town for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will realize.

The execution and delivery of this Official Statement has been duly authorized by the City Council of the Town.

TOWN OF COLMA, CALIFORNIA

By: _____
Joanne F. del Rosario, Mayor

APPENDIX A

TOWN OF COLMA GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

The following information regarding the Town and the surrounding area of San Mateo County is presented as general background data. The Certificates are payable solely from the sources described herein (see "SECURITY FOR THE CERTIFICATES"). None of the taxing power of the Town of Colma, the County of San Mateo, the State of California or any political subdivision thereof is pledged to the payment of the Certificates

Profile of the Town of Colma

Located on near the northern end of the San Francisco peninsula, the Town of Colma ("the Town") encompasses approximately 2.0 square miles in San Mateo County (the "County"), and is approximately 10 miles south of the City and County of San Francisco. The current population of the Town is approximately 1,480.

The Town was incorporated in 1924. The Town operates under a council-manager form of government, and is governed by a five-member City Council elected at large with four-year staggered terms. The Mayor is elected by the City Council from among its members every year. The positions of City Clerk, City Manager and City Attorney are filled by appointment of the City Council.

The Town is best known for its 16 cemeteries which comprise approximately 76% of the Town's land area.

The annual budget serves as the foundation for the Town's financial planning and control. The City Council holds public hearings and adopts an annual budget resolution by July 1 of each Fiscal Year for all funds and account groups. The City Council may modify appropriations with majority approval. The budgets are adopted and presented on a basis consistent with generally accepted accounting principles.

Changes in budget appropriations at the fund level during the year must be approved by the City Council. The legal level of expenditures is controlled at the fund level, and appropriations lapse at the end of each Fiscal Year unless encumbered for re-appropriations by the City Council in the following Fiscal Year. Department heads may, without Council approval, amend individual line items within any fund in the maintenance and operations portions of the budget without increasing total appropriations for that division. The City Manager may, without divisions and programs, in the personnel costs, maintenance and operations, capital outlay and capital projects portions of the budget without increasing total appropriations for that fund.

City Council

Joanne F. del Rosario, Mayor. Mayor Del Rosario was first elected to office as a member of the City Council in December 2006 and last served as Mayor in 2009. Presently, she is an Executive Assistant to the President/CEO of a biotech company in Emeryville. Her previous business experience includes Office Manager/Executive Assistant, Legal Secretary, and Human Resources Administrator for some of the top law firms in the Bay Area, Xerox Corporation and investment and venture capital firms.

Mayor del Rosario is a past President of the Filipino America Association of Colma and past Director of the Filipino American Coalition. She is a member of the Seton Medical Center Community Advisory Council and a member and past President in 2010 of ALLICE (Alliance for Community Empowerment) “Kumares and Kumpares” whose purpose is to educate and bring awareness to the community on issues regarding all forms of domestic violence. In 2009 she was named one of the “100 Most Influential Filipinas in the United States,” by the Filipinas Women’s Network.

Diana Colvin, Vice Mayor. As a businesswoman, Ms. Colvin has been in the event booking and management industry, serving the corporate and private sector for a number of years. She is currently the Rentals and Operations Officer of the Cow Palace Arena, a State of California owned concert arena and event facility.

Vice Mayor Colvin has been actively involved in a number of community and volunteer activities and organizations since 1998, including the Colma Historical Association, where she has been Membership Chair since 2003 and an annual volunteer in support of the organization’s annual fundraising activities, a past board member of the North Peninsula Emergency Food Pantry and Dining Center of Daly City and a volunteer of Rebuilding Together (Mid Peninsula Chapter) for ten years.

She was appointed to the City Council in 2008 for a term of seven months to fill a vacancy. She was elected to the Town Council in November 2008 and selected to serve as Mayor in 2010.

Helen Fisicaro, Councilmember. After almost 40 years of service, Councilmember Fisicaro retired from Pacific Gas and Electric Company in March, 2010. She continues to keep busy as a Business-Energy Consultant and an active community volunteer.

An ardent community supporter, Councilmember Fisicaro has served on the City Council since 1994 and has the honor of being elected Mayor six times. Her service has been recognized as an inductee into the San Mateo County Women’s Hall of Fame, two-time recipient of the prestigious Pacific Gas and Electric Company’s Mielke Award for Outstanding Community Service, the Mercy High School Catherine’s Legacy Award, the Sitike Community Kindness Award, and the Colma-Daly City Chamber of Commerce Cypress Leadership Award, Lifetime Achievement Award, and Leadership Panelist Award.

Raquel Gonzalez, Councilmember. Councilmember Gonzalez’s work in public service began in 1989 when she was hired by the Town as the Public Information Officer in the administrative offices of the City Manager. In 2001 she was elected City Treasurer. She ran for City Council and was elected in December 2009.

Joseph Silva, Councilmember. Councilmember Silva was first elected to office as a member of the City Council in November 1996 and previously served as Vice Mayor in 2009.

Administrative Personnel

Sean Rabé, City Manager/City Clerk. Sean Rabé was appointed as the Town’s City Manager by the City Council in December 2013. As City Manager, he provides the City Council with policy recommendation, implements Council direction and oversees the day-to-day operations of the City.

During his short time in Colma he has overseen the payoff of the Town’s debt (saving more than \$7 million in interest payments), implemented several technological updates to improve the organization’s efficiency, implemented a new online financial transparency tool to put detailed financial information at the fingertips of Town residents, and has managed the planning portion of the Town Hall remodeling project as well as several other significant capital improvement projects.

Prior to his appointment as City Manager, Mr. Rabé served as the City Manager of Sutter Creek for three years. He also served as Sutter Creek’s Community Development Director, Public Works Director. He has also served as a Transportation Planner for the Amador County Transportation Commission.

Prior to his career as a public servant he served as the Editor and General Manager of the Amador Ledger Dispatch newspaper, where he received multiple awards for reporting and writing.

Mr. Rabé holds a Master’s Degree (with honors) in Public Policy from California State University, Northridge and a Bachelor’s Degree in Government from California State University, Sacramento.

Charles D. Francis, Finance Director. Charles D. Francis is the City’s Treasurer and Consulting Finance Manager. He has over forty years of local government management experience, including twenty plus years as a government Chief Financial Officer, and twenty years’ experience as a corporate officer, director, chief of party, team leader, senior manager, or senior consultant on international and national public consulting engagements.

Population

As of January 1, 2015 the population of the Town was approximately 1,480, an increase of approximately 1.8% percent over the census population of the Town in 2010. The following table presents population estimates as of January 1 for both the Town and County.

**TABLE 1
POPULATION**

<u>Year</u>	<u>Town of Colma</u>	<u>San Mateo County</u>
1970 ⁽¹⁾	537	557,361
1980 ⁽²⁾	395	587,329
1990 ⁽³⁾	1,103	649,623
2000 ⁽⁴⁾	1,187	707,163
2010 ⁽⁵⁾	1,454	718,451
2011	1,458	722,372
2012	1,447	729,630
2013	1,465	739,804
2014	1,471	745,635
2015	1,480	753,123

(1) As of April 1, 1970
 (2) As of April 1, 1980
 (3) As of April 1, 1990
 (4) As of April 1, 2000
 (5) As of April 1, 2010

Sources: California Department of Finance, Demographic Research Unit.

City Finances

The following selected financial information provides a brief overview of the Town’s finances. This financial information has been extracted from the Town’s audited financial statements for the Fiscal Year ended June 30, 2014 (the “Financial Statements”), from audited financial statements for prior Fiscal Years and, in some cases, from unaudited information provided by the Town. The Financial Statements,

together with an unqualified opinion of R.J. Ricciardi, Inc., San Rafael, California (the “Auditor”) are contained in APPENDIX C. The Auditor has not performed any post-audit analysis of the financial condition of the City.

Accompanying the Financial Statements in Appendix C is the Town Management Discussion and Analysis, which is not audited, but is supplementary information required by the Government Accounting Standards Board (“GASB”). The Management Discussion and Analysis presents a summary and overview of the Town’s financial condition. The Management Discussion and Analysis should be reviewed in conjunction with the information presented below to obtain an understanding of the Town’s financial condition.

Accounting Policies and Financial Reporting

The Town maintains its accounting records in accordance with standards established by GASB, the Governmental Finance Officer Association of the United States and Canada (“GFOA”) and other rule-making bodies. The City Council employs an independent certified public accountant (currently, the Auditor) who examines at least annually the financial statements of the Town in accordance with auditing standards generally accepted in the United States of America, including tests of the accounting records and 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 the independent accountant to the City Council.

The accounts of the City are organized on the basis of funds and account groups, which is the basic fiscal and accounting entity in governmental accounting. The three broad fund categories include governmental, proprietary and fiduciary funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. The basis of accounting for all funds is more fully explained in the notes to the Financial Statements.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The information set forth below includes certain historical and current Fiscal Year budget information for the General Fund. Information on the remaining governmental funds of the City as of June 30, 2014 is set forth in APPENDIX C.

General Fund Balance

The City Council’s approved Reserve Policy complies with GASB Statement 54 which established five categories of reserve. The City Council also has adopted criteria for allocating its General Fund reserves among these categories.

As of June 30, 2014, the Town’s total Fund Balance in the General Fund was \$27,467,979. Fund Balance is comprised of three components in accordance with the Town’s reserve policy highlighted above: a Committed portion of \$20,100,000; an Assigned portion of \$950,000; and an Unassigned portion (available for spending at the government’s discretion) of \$6,417,919. The Town’s total fund balance amounts to 222% of total general fund expenditures.

Future Challenges

GASB Statement 45. GASB Statement 45, which outlines the new requirements for governments to disclose the cost of providing other post-employment benefits (“OPEB”) in their annual audit documents, presents a unique challenge for the Town. Other postemployment benefits include health insurance coverage and other items paid by the Town on behalf of the retiring employee, excluding

pensions. While GASB 45 does not require the Town to set money aside (or pre-fund these costs), sound fiscal policy requires that the City Council develop a plan to pay for these obligations as well as all other obligations of the Town. Currently the Town accounts for these expenses on a pay-as-you-go basis, so the immediate costs are identified in the budget but the long-range financial obligation is not. The long-term cost of medical and dental benefits provided to retired employees, elected officials and their respective spouses and dependents has been determined to range from \$8.6 million to \$14.7 million depending on how the Council chooses to fund those costs. The FY 2014-15 Adopted Budget assumes the pay-as-you-go practice continues for another Fiscal Year. The long-range cost of the Town's cumulative five-year OPEB liability is approximately \$8.2 million. Under the pay-as-you-go method, an \$8.2 million liability will be recorded on the Town's balance sheet at the end of five years.

The cost of medical benefits continues to be a challenge for the Town. As expected, there was a significant increase in the estimated long-range cost between the first actuarial valuation prepared in 2008 and the updated report completed in 2011. The long range cost increased from \$5 million to \$8.2 million. Therefore, staff is closely assessing the feasibility of placing money in an irrevocable trust and intends to bring a recommendation to the Council during Fiscal Year 2014-15.

Pension Costs. In March 2013, the California Public Employees' Retirement System ("CalPERS") Board decided to reduce its rate of return on investments from 7.75% to 7.5%. On April 17, 2014, the CalPERS Board approved new actuarial policies that are designed to "return the system to fully-funded status within 30 years." CalPERS is between 65 and 80 percent funded.

These new policies include: (i) a change in the rate-smoothing methodology with a 30-year fixed amortization period for gains and losses and (ii) a five-year ramp-up at the start and a five-year ramp-down at the end of the 30 year time period.

As a result of this decision, public agencies can expect their pension rates to increase by 50% during the five-year ramp up period which starts in Fiscal Year 2015-16. Staff is analyzing the impact of this increase on the Town's financial position and will be sharing the results with the Council later this Fiscal Year.

Town Financial Data

The following tables provide a five-year history of the Town's Comparative Balance Sheet, General Fund revenues, expenditures, transfers, and ending fund balances. See also "Town Budget" below for budgeted revenues and expenses for Fiscal Years 2013-14 through 2014-15.

TABLE 2
TOWN OF COLMA
GENERAL FUND BALANCE SHEET
(As of June 30)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>ASSETS</u>					
Cash and investments	\$30,074,879	\$31,418,851	\$32,822,331	\$34,254,464	\$26,061,235
Restricted cash and investments	-	-	-	-	-
Taxes receivable	852,253	1,044,616	1,023,355	1,126,153	1,063,300
Accounts receivable	625,267	621,615	652,236	974,001	931,229
Due from other funds	266,867	-	-	-	-
Accrued interest receivable	58	2,153	40,709	27,892	23,269
Prepaid items	89,148	88,822	103,788	98,956	-
Total Assets	\$31,908,472	\$33,176,057	\$34,642,419	\$36,481,466	\$28,079,033
<u>LIABILITIES</u>					
Accounts payable	\$454,716	\$434,011	\$456,744	\$364,891	\$366,175
Accrued expenditures	101,322	120,876	1,262	3,099	70,163
Compensated absences	80,697	110,798	106,269	138,911	78,013
Deposits	112,773	108,883	47,197	52,900	96,703
Due to other funds	-	-	-	-	-
Total Liabilities	749,508	774,568	611,472	559,801	611,054
<u>FUND BALANCES</u>					
Reserved for Prepays	89,148	-	-	-	-
Unreserved, designated	6,464,640	-	-	-	-
Nonspendable	-	88,822	103,788	98,956	-
Restricted	-	-	-	-	-
Committed	-	-	-	24,552,790	20,100,000
Unassigned	24,605,176	25,848,027	27,462,519	10,319,919	6,417,979
Assigned	-	6,464,640	6,464,640	950,000	950,000
Total Fund Balances	<u>31,158,964</u>	<u>32,401,489</u>	<u>34,030,947</u>	<u>35,921,665</u>	<u>27,467,979</u>
Total Liabilities and Fund Balances	\$31,908,472	\$33,176,057	\$34,642,419	\$36,481,466	\$28,079,033

Source: Town of Colma; Comprehensive Annual Financial Reports (Fiscal Year 2009-10 – 2013-14).

TABLE 3
TOWN OF COLMA
STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND BALANCES
(Fiscal Year Ending June 30)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>REVENUES</u>					
Property taxes	\$366,266	\$334,320	\$354,574	\$617,618	\$472,157
Sales taxes	4,901,120	5,045,150	5,517,652	6,232,713	6,843
Cardroom taxes	4,938,532	5,091,032	4,957,234	4,703,462	4,140,070
Other taxes	50,024	56,455	74,736	105,257	2,454,113
Licenses and permits	189,550	108,763	83,862	114,546	100,113
Fines and forfeits	70,604	98,673	83,732	67,536	66,611
Intergovernmental	1,114,766	2,060,775	1,818,095	2,118,133	274,724
Use of money and property	513,254	476,595	496,197	503,140	615,754
Other revenues	287,291	63,213	70,307	41,408	122,329
Charges for services	<u>556,743</u>	<u>667,620</u>	<u>749,962</u>	<u>810,404</u>	<u>837,191</u>
Total Revenues	\$12,988,150	\$14,002,596	\$14,206,351	\$15,314,217	\$15,926,985
<u>EXPENDITURES</u>					
Current:					
General government	2,509,572	2,620,539	2,936,363	2,921,076	2,967,299
Public safety	4,708,368	4,824,811	4,731,826	5,336,942	5,283,652
Public works	2,898,917	2,937,365	2,814,131	2,868,023	2,787,697
Recreation	859,300	888,871	883,961	880,931	908,687
Planning	351,375	407,336	287,288	395,809	417,626
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>\$11,327,532</u>	<u>\$11,678,922</u>	<u>\$11,653,569</u>	<u>\$12,402,781</u>	<u>\$12,364,961</u>
Excess (deficiency) of revenues over expenditures	<u>1,660,618</u>	<u>2,323,674</u>	<u>2,552,782</u>	<u>2,911,436</u>	<u>3,562,024</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	88,768	96,803	108,684	104,866	115,486
Transfers out	<u>(1,426,752)</u>	<u>(1,177,952)</u>	<u>(1,032,008)</u>	<u>(1,125,584)</u>	<u>(12,131,196)</u>
Total other financing sources (uses)	<u>(\$1,337,984)</u>	<u>(\$1,081,140)</u>	<u>(\$923,324)</u>	<u>(\$1,020,718)</u>	<u>(\$12,015,710)</u>
Net change in fund balances	322,634	1,242,525	1,629,458	1,890,718	(8,453,686)
Fund balances, beginning of period	<u>30,836,330</u>	<u>31,158,964</u>	<u>32,401,489</u>	<u>34,030,947</u>	<u>35,921,665</u>
Fund balances, end of period	<u>\$31,158,964</u>	<u>\$32,401,489</u>	<u>\$34,030,947</u>	<u>\$35,921,665</u>	<u>\$27,467,979</u>

Source: Town of Colma; Comprehensive Annual Financial Reports (Fiscal Year 2009-10 – 2013-14).

Budget Process

The City Council is required to adopt a final budget by no later than the close of the Fiscal Year. The annual budget serves as the foundation for the Town's financial planning and control. The budget is prepared by fund, and by department (e.g., police).

The Town's Fiscal Year starts on July 1 and ends on June 30. The Town uses the modified accrual basis of accounting for budgetary purposes, which is the same method used in preparing the financial statements.

During the year, the Finance Department works with Department Directors to address funding issues and monitor expenditures. Department Directors may transfer available resources within their department as they see fit. The City Manager may transfer funds between departments as long as the transfers for any department do not increase or decrease a department's budget by more than \$50,000 in the Fiscal Year. Council approval is required for transfers of more than \$50,000 in a Fiscal Year.

In January and February, the City Council meets with the City Manager to review and update the Strategic Plan. Staff prepares a Mid-Year Budget Review and presents it to the Council and the public at the regular City Council Meeting.

Budget instructions are prepared and issued to departments. The instructions outline the general assumptions in the budget and provide direction to the directors in terms of financial goals to be met.

During March, the City Manager meets with Department Directors to review their proposals and make changes as needed. Staff presents the Proposed Budget to the City Council for review and discussion at their April and May meetings. The budget is available for public review several days prior to these meetings. Changes are made and the document is presented again to the Council for additions discussion during a public hearing held at the June meeting. At the conclusion of the public hearing, the Council takes action on the budget.

The following table summarizes the Town's adopted General Fund Budget for Fiscal Year 2015-16, the estimated actual results for Fiscal Year 2014-15, and the audited actual results for Fiscal Years 2012-13 and 2013-14.

TABLE 4
TOWN OF COLMA
GENERAL FUND BUDGETS, AUDITED, ESTIMATED, AND ADOPTED
(Fiscal Years 2012-13 through 2015-16)

<u>REVENUES</u>	<u>FY 2012-13</u> <u>Audited Actuals</u>	<u>FY 2013-14</u> <u>Audited Actuals</u>	<u>FY 2014-15</u> <u>Estimated</u>	<u>FY 2015-16</u> <u>Adopted</u>
GENERAL FUND REVENUES				
Sales, Cardroom, Property & Other Taxes	\$13,556,769	\$13,916,743	\$14,401,190	\$14,893,400
Licenses & Permits	107,972	93,633	201,700	304,300
Fines & Forfeitures	67,536	66,611	60,250	60,250
Use of Money & Property	503,139	615,754	437,702	437,700
Revenue from Other Agencies	226,996	274,724	196,270	196,270
Charges for Current Services	810,404	837,191	717,160	822,000
Other Revenues	<u>41,408</u>	<u>122,327</u>	<u>45,300</u>	<u>89,300</u>
Total General Fund Revenues	\$15,314,224	\$15,926,982	\$16,059,572	\$16,803,220
Net Transfers	(1,020,718)	(11,967,705)	(11,190,190)	(1,977,320)
TOTAL GENERAL FUND REVENUES (NET)	14,293,506	3,959,277	4,869,382	14,825,900
POLICE GRANTS FUND				
TOTAL POLICE GRANTS FUND	91,305	90,966	100,000	100,000
CAPITAL IMPROVEMENT FUND				
TOTAL CAPITAL IMPROVEMENT FUND	167,700	364,031	16,046,890	1,762,000
COPS DEBT SERVICE FUND				
TOTAL COPS DEBT SERVICE FUND	<u>937,884</u> ⁽¹⁾	<u>11,719,159</u> ⁽¹⁾	<u>-</u>	<u>308,990</u> ⁽²⁾
TOTAL REVENUES OF ALL FUNDS	\$15,510,396	\$16,132,049	\$21,016,272	\$16,996,890
GENERAL FUND EXPENDITURES				
Salaries	\$4,024,595	\$4,087,370	\$4,368,268	\$4,559,080
Benefits	2,736,494	2,569,910	2,631,510	2,707,510
Supplies & Services	1,345,455	1,333,960	1,540,950	1,624,380
Contracts	4,200,236	4,235,662	4,636,960	4,614,590
Capital Outlay	<u>96,002</u>	<u>137,356</u>	<u>81,400</u>	<u>121,500</u>
TOTAL GENERAL FUND EXPENDITURES	\$12,402,784	\$12,364,257	\$13,259,088	\$13,627,060
POLICE GRANTS FUND				
Salaries	74,515	78,317	77,700	77,700
Benefits	29,576	31,616	33,040	34,510
Supplies & Services	<u>4,514</u>	<u>4,176</u>	<u>4,900</u>	<u>4,600</u>
TOTAL POLICE GRANTS FUND	\$108,605	\$114,109	\$115,640	\$116,810
CAPITAL IMPROVEMENT FUND				
Contracts	66,899	512,052	16,046,890	1,762,000
Total Capital Improvement Fund Expenditures	66,899	512,052	16,046,890	1,762,000
COPs Debt Service Fund				
Contracts	959,584	12,677,209	-	308,990
TOTAL COPS DEBT SERVICE FUND	<u>959,584</u>	<u>12,677,209</u>	<u>-</u>	<u>308,990</u>
EXPENDITURES				
TOTAL EXPENDITURES OF ALL FUNDS	\$13,537,872	\$25,667,626	\$29,421,618	\$15,814,860
Net Revenues - Expenditures	1,972,524	(9,535,577)	(8,405,346)	1,182,030
Total Amount in Reserve – Beginning Balance	35,110,981	37,083,505	27,547,928	19,142,582
TOTAL AMOUNT IN RESERVE – ENDING BALANCE	37,083,505	27,547,928	19,142,582	20,324,612
BALANCE				
Required Reserve	20,445,702	20,394,461	15,909,088	16,277,060
Unassigned Reserve	\$16,637,803	\$7,153,467	\$3,233,494	\$4,047,552

(1) Represents the 2003 COPs Debt Service Fund.

(2) Represents the estimated Debt Service Fund for the COPs.

Source: Town of Colma; Comprehensive Annual Financial Report (Fiscal Year 2013-14): Adopted Budgets (Fiscal Years 2014-15 and 2015-16).

Taxes and Other Revenues

The Town receives the following local taxes and revenues. Sales and use taxes represent 88% of the Town's general fund tax revenues and is the largest source of general fund tax revenue to the Town. The following table summarizes the tax revenues received by the Town in Fiscal Years 2009-10 through 2013-14.

TABLE 5
TOWN OF COLMA
TAX REVENUES BY SOURCE
(Fiscal Years 2009-10 through 2013-14)

<u>Source</u>	<u>FY 2009-10</u> <u>Actual</u>	<u>FY 2010-11</u> <u>Actual</u>	<u>FY 2011-12</u> <u>Actual</u>	<u>FY 2012-13</u> <u>Actual</u>	<u>FY 2013-14</u> <u>Actual</u>
Property taxes	\$366,266	\$ 334,320	\$ 354,574	\$ 617,618	\$ 472,157
Sales taxes	4,901,120	5,045,150	5,517,652	6,232,713	6,843,923
Cardroom taxes	4,938,532	5,091,032	4,957,234	4,703,462	4,140,070
Other taxes	50,024	56,455	74,736	105,257	2,454,113
Licenses and permits	189,550	108,763	83,862	114,546	100,113
Fines and forfeits	70,604	98,673	83,732	67,536	66,611
Intergovernmental	1,793,072	2,252,336	2,037,958	2,314,303	479,793
Use of money and other property	513,254	476,595	496,197	503,140	615,754
Other revenue	287,291	63,213	70,307	41,408	122,329
Charges for services	<u>556,743</u>	<u>667,620</u>	<u>749,962</u>	<u>810,404</u>	<u>837,191</u>
Total	\$13,666,456	\$14,194,157	\$14,426,214	\$15,510,387	\$16,132,054

Source: Town of Colma; Comprehensive Annual Financial Report (FY 2013-14).

Sales Taxes

This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State. However, the State budget situation has resulted in a temporary redirection of sales tax revenues from the Town to the State (see “ – Impact of State Budget” above).

Sales Tax Rates. The Town's sales tax revenue represents the Town's one percent share of the sales and use tax imposed on taxable transactions occurring within the Town's boundaries. The sales tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax (the “Sales Tax Law”).

A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. Effective January 1, 2013, the aggregate tax rate in the State is 7.50%. An additional 1.50% is collected in San Mateo County for retail transactions and transportation purposes.

Currently, taxable transactions in the Town are subject to the following sales and use tax, of which the Town's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the Town, as follows:

**TABLE 6
TOWN OF COLMA
SALES TAX RATES
(Fiscal Year 2014-15)**

State-wide Tax	7.50%
San Mateo County Retail Transactions and Use Tax	0.50%
San Mateo County Transportation Authority	0.50%
San Mateo County Transit District	<u>0.50%</u>
Total	9.00%

Source: California State Board of Equalization.

The State’s actual administrative costs with respect to the portion of sales taxes allocable to the Town are deducted before distribution and are determined on a quarterly basis.

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. 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 where the use will occur within the State. 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 human 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 July 2014 publication 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/>. See also “RISK FACTORS – Sales Taxes.”

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 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 Town, Town and county, redevelopment agency, or county are required to be transmitted by the Board of Equalization to such Town, Town 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 Town 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 Town in administering the Town’s sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the Town.

History of Taxable Transactions. Total taxable transactions reported in the Town during calendar year 2013 amounted to \$834,543,000, a 10.5% increase over the total taxable transactions of \$751,921,000 that were reported during calendar year 2012.

A summary of taxable sales within the Town during calendar years 2009 through 2013 is shown in the following table.

**TABLE 7
TOWN OF COLMA
TAXABLE TRANSACTIONS
FOR CALENDAR YEARS 2009 THROUGH 2013
(Taxable Transactions in Thousands of Dollars)**

<u>Year</u>	<u>Retail and Food Services</u>		<u>Total Outlets</u>	
	<u>Permits</u>	<u>Taxable Transactions</u>	<u>Permits</u>	<u>Taxable Transactions</u>
2009	100	\$560,912	157	\$605,919
2010	95	570,890	156	616,231
2011	101	616,241	163	662,071
2012	102	705,303	161	751,921
2013	106	784,146	164	834,543

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Ad Valorem Property Taxes

This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the Town.

General. In California, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the County assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over other liens (except certain federal claims) on the secured property, regardless of the time of the creation of

other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the Fiscal Year in which the taxes are levied, the property securing the taxes may only be redeemed by a payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1-1/2% per month from the original June 30th date to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted properties are thereafter subject to sale by the county tax collector as provided by law.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid by August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. The taxing authority has four methods of collecting unsecured personal property taxes: (1) filing a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment 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) seizing and securing the sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Tax Levies and Delinquencies. Beginning in 1978-79, Article XIII A and its implementing legislation shifted the function of property taxation primarily 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.

Alternative Method of Tax Apportionment. The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the Town, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each Fiscal Year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts. The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any Fiscal Year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent Fiscal Year. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the City) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

The Town is not aware of any petitions for the discontinuance of the Teeter Plan in the County.

The Town is a Tax Equity Allocation (TEA) No And Low City. In 1987 the first Tax Equity Allocation (TEA) legislation (Revenue and Taxation Code section 97.35) required 17 counties to shift property tax revenue to 49 cities. The legislation intended to shift 10 percent of the taxes generated within the city boundaries to the cities over a ten-year period of time. In 1988 Assembly Bill 1197 amended Revenue and Taxation Code sections 97, 97.5, 98 and 98.6 providing that qualifying cities receive 7 percent of the property tax revenues generated within their boundaries phased in over a seven year period.

Taxable Property and Assessed Valuation. Set forth in the table below is the assessed valuation for secured and unsecured property within the Town for the five most recent Fiscal Years. The Town has not formed a redevelopment agency under the California Redevelopment Law.

**TABLE 9
TOWN OF COLMA
ASSESSED VALUE OF TAXABLE PROPERTY
(Fiscal Years 2010-11 through 2014-15)**

Fiscal Year	Local	Utility	Unsecured	Total Assessed
<u>Ending</u>	<u>Secured</u>			<u>Valuation</u>
2011	\$493,189,593	\$723,100	\$35,162,186	\$529,074,879
2012	497,097,100	542,325	34,175,946	531,815,371
2013	520,782,477	542,325	36,007,528	557,332,330
2014	534,119,184	542,325	36,578,906	571,240,415
2015	577,284,551	542,325	36,807,516	614,634,392

Source: California Municipal Statistics, Inc.

Largest Taxpayers. The 10 largest secured property taxpayers for Fiscal Year 2014-15 are as follows:

**TABLE 10
TOWN OF COLMA
LARGEST SECURED TAXPAYERS FOR FISCAL YEAR 2014-15**

<u>Property Owner</u>	<u>Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1. 280 Metro LP	Shopping Center	\$99,213,134	17.19%
2. Cole HD Colma CA LP	Commercial	38,616,287	6.69
3. Estate of George R. Karadanis	Cardroom	30,656,624	5.31
4. Gregory Gordon Price	Auto Sales	27,632,320	4.79
5. Extra Space Properties Forty LLC	Public Storage	23,820,175	4.13
6. Kohl's Department Stores, Lessee	Commercial	22,036,841	3.82
7. Thomas A. Price, Lessee	Auto Sales	20,109,358	3.48
8. Best Buy Stores LP	Commercial	17,697,699	3.07
9. BWVT Motors Inc.	Auto Sales	17,500,000	3.03
10. Dayton-Hudson Corp	Commercial	15,564,982	2.70
11. HD Development of Maryland Inc.	Commercial	14,000,825	2.43
12. Cypress Lawn Cemetery Association	Cemetery	11,519,181 ⁽²⁾	2.00
13. Serra Center Associates No. Two	Shopping Center	8,959,215	1.55
14. Mathew Zaheri	Auto Sales	8,160,694	1.41
15. Thomas A. and G.L. Price, Trustees	Auto Sales	7,979,249	1.38
16. Paul A. and C.A. Montalbano, Trustees	Auto Sales	7,284,849	1.26
17. Public Storage Inc.	Public Storage	6,382,342	1.11
18. Tru 2005 RE I LLC	Commercial	5,498,233	0.95
19. Vicgold Investments	Commercial	5,359,246	0.93
20. Claude D. Perasso Jr., Trust	Commercial	<u>4,297,275</u>	<u>0.74</u>
		\$392,288,529	67.95%

⁽¹⁾ Fiscal Year 2014-15 Local Secured Assessed Valuation: \$577,284,551.

⁽²⁾ Net taxable value

Source: California Municipal Statistics, Inc.

Other Taxes

Franchise Taxes. The Town levies a franchise tax on its cable television, trash collection, and utility franchises.

Business Registration Taxes. The Town levies a business registration tax based principally on gross receipts and on number of employees.

Transient Occupancy Taxes. The Town levies a 8% transient occupancy tax of \$25 per year, except for Christmas tree lots that pay \$10 per year, and gambling establishments that pay Cardroom Taxes, as described below.

Cardroom Taxes. The Town levies a general tax on gambling establishment operations in the Town based on a graduated percentage of a sliding scale of monthly gross revenues.

Property Transfer Taxes. A documentary stamp tax is assessed for recordation of real property transfers.

Short-Term Obligations

The Town currently has no outstanding short-term obligations.

Long-Term Obligations

The Town currently has no long-term obligations, other than the Certificates.

Direct and Overlapping Bonded Debt

The ability of land owners within the Town to pay property tax installments as they come due could be affected by the existence of other taxes and assessments imposed upon the land.

The statement of direct and overlapping debt (the “Debt Report”) set forth below was prepared by California Municipal Statistics, Inc., as of June 1, 2015. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc., by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The Town takes no responsibility for its completeness or accuracy.

**TABLE 12
DIRECT AND OVERLAPPING BONDED DEBT
(As of June 1, 2015)**

2014–15 Assessed Valuation: \$614,634,392

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/15</u>
San Mateo Community College District	0.371%	1,995,461
South San Francisco Unified School District	0.322	599,320
Jefferson Union High School District	3.427	6,713,207
Jefferson School District	6.628	<u>5,047,222</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$14,35,120
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Mateo County General Fund Obligations	0.371%	\$1,706,840
San Mateo County Board of Education Certificates of Participation	0.371	38,695
San Mateo County Flood Control District Certificates of Participation	3.974	851,827
South San Francisco Unified School District Certificates of Participation	0.322	2,264
Colma Unified School District Certificates of Participation	23.195	3,854,762
City of Colma Certificates of Participation	100.000%	0⁽¹⁾
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$9,001,362
GROSS COMBINED TOTAL DEBT		\$2,599,626
NET COMBINED TOTAL DEBT		\$16,954,746 ⁽²⁾

Ratios to Assessed Valuation

Combined Direct Debt.....	%
Total Overlapping Tax and Assessment Debt.....	0.65%
Gross Combined Total Debt.....	2.34%
Net Combined Total Debt.....	2.76%

⁽¹⁾ Excludes certificates of participation to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Retirement Programs

Plan Description. The Town contributes to the California Public Employee’s Retirement System (“CalPERS”), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy and Annual Pension Cost. The contribution requirements of plan members and the Town are established by and may be amended by CalPERS. The Town’s annual pension costs for the most recent year and related information for each plan is set forth in the following table.

ANNUAL PENSION COST AND RELATED INFORMATION		
	Regular Employees	Safety Employees
Contribution Rates:		
City and Plan Members	18.4%	34.59%
Annual pension cost	\$238,042	\$693,084
Contributions made	\$238,042	\$693,084
Actuarial valuation date	June 30, 2012	June 30, 2012
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level percentage pay, closed	Level percentage pay, closed
Remaining amortizing period	19 years	19 years
Asset valuation method	15-yr smoothed market	15-yr smoothed market
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected Salary increases	3.30%-14.20%	3.30%-14.20%
Inflation	2.75%	2.75%

Source: Town of Colma; Comprehensive Annual Financial Report (Fiscal Year 2013-14).

Tables 13 and 14 below set forth the five-year cost and contribution trend for miscellaneous and safety employees and four-year CalPERS funding progress schedule.

**TABLE 13
TOWN OF COLMA
TREND INFORMATION
FOR THE MISCELLANEOUS AND SAFETY PLANS
(Fiscal Years 2009-10 through 2013-14)**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
Regular Employees			
2009-10	\$222,193	100%	\$—
2010-11	\$217,156	100%	\$—
2011-12	\$217,156	100%	\$—
2012-13	\$265,384	100%	\$—
2013-14	\$238,041	100%	\$—
Safety Employees			
2009-10	\$533,205	100%	\$—
2010-11	\$559,110	100%	\$—
2011-12	\$559,110	100%	\$—
2012-13	\$641,424	100%	\$—
2013-14	\$693,084	100%	\$—

Source: Town of Colma; Comprehensive Annual Financial Reports (Fiscal Year 2009-10 – 2013-14).

TABLE 14
TOWN OF COLMA
FOUR-YEAR SCHEDULE OF FUNDING PROGRESS FOR CALPERS
(Most Recent Available Fiscal Years 2008-09 to 2011-12)

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/09:						
Misc.	\$1,834,424,640	\$1,493,430,831	\$340,993,809	81.4%	\$355,150,151	96.0%
Safety	<u>9,721,675,347</u>	<u>8,027,158,724</u>	<u>1,694,516,623</u>	<u>82.6%</u>	<u>973,814,168</u>	<u>174.0%</u>
Total	\$11,556,099,987	\$9,520,589,555	\$2,035,510,432	92%	\$1,328,964,319	135%
6/30/10:						
Misc.	\$1,972,910,641	\$1,603,482,152	\$369,428,489	81.3%	\$352,637,380	104.8%
Safety	<u>10,175,475,166</u>	<u>8,470,235,152</u>	<u>1,705,240,014</u>	<u>83.3%</u>	<u>955,980,815</u>	<u>178.4%</u>
Total	\$12,148,385,807	\$10,073,717,304	\$2,074,668,503	82.3%	\$1,308,618,195	141.6%
6/30/11:						
Misc.	\$2,135,350,204	\$1,724,200,585	\$411,149,619	80.7%	\$354,190,017	116.1%
Safety	<u>10,951,745,049</u>	<u>9,135,654,246</u>	<u>1,816,090,803</u>	<u>83.41%</u>	<u>958,104,927</u>	<u>189.6%</u>
Total	\$13,087,095,253	\$10,859,854	\$2,227,248,422	82.06%	\$1,312,294,944	152.8%
6/30/12:						
Misc.	\$2,254,622,362	\$1,837,489,422	\$417,132,940	81.5%	\$339,228,272	123.0%
Safety	<u>11,724,021,480</u>	<u>9,854,787,710</u>	<u>1,869,233,770</u>	<u>84.1%</u>	<u>947,734,809</u>	<u>197.2%</u>
Total	\$13,978,643,842	\$11,692,277,038	\$2,286,366,710	82.8%	\$1,286,963,081	160.1%

Source: Town of Colma; Comprehensive Annual Financial Report (FY 2009-10 – 2013-14).

Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries, and natural disasters for which the Town obtains insurance coverage.

The Town is a member of the ABAG Plan Corporation (the “Plan”), which provides a pooled risk sharing insurance program. The Plan provides the Town with insurance coverage of \$5 million per loss for liability claims. The Town has a \$50,000 self-insurance retention limit similar to a deductible. The Plan provides excess insurance coverage for \$25 million beyond the \$5 million Plan coverage. The Plan also provides the Town with \$1 million pooled employee dishonesty coverage. Property coverage is also provided with the Town having a \$5,000 deductible and the Plan being responsible for all losses up to \$100,000. The Plan obtains excess property insurance above its \$100,000 self-insured retention with a per occurrence coverage for all members combined up to \$1 billion. The Town purchases separate earthquake and flood insurance coverage of \$10 million with a general deductible of \$100,000.

Workers’ compensation insurance is provided to the Town by Entity Insurance Authority (“EIA”) at statutory coverage limits.

As of June 30, 2014, the Town did not have any claims payable or open below its deductible for general liability claims.

The ultimate amount of losses incurred through June 30, 2015 is dependent on future developments. Based upon information from the City Attorney, the Town's claims administrators and others involved with the administration of the insurance programs. Town management believes the accrual is adequate to cover such losses.

Post-Employment Health Care Benefits

Plan Description. The Town defined benefit post-employment healthcare plan provides medical benefits to eligible Town employees and elected officials who retire from the Town at age 50 or older and are eligible for a CalPERS pension. The Town provides retiree healthcare benefits to employees retiring directly from the Town under CalPERS. Medical coverage is provide through PEMHCA. Medical and dental benefits are continued to a surviving spouse and eligible dependents, if any, upon the retiree's death.

Funding Policy. There is not a statutory requirement for the Town to prefund its post-employment benefits other than pensions ("OPEB") obligation. The Town currently pays for retiree healthcare benefits on a pay-as-you-go basis. There are no employee contributions. For the Fiscal Year ending June 30, 2014, the Town paid approximately \$362,795 for retiree healthcare and dental plan benefits. As of July 1, 2014, the plan membership consisted of 38 active participants and 27 retirees and beneficiaries currently receiving benefits.

In June 2004, GASB issued GASB Statement 45 ("GASB 45"). GASB 45 addresses accounting and financial reporting for OPEB, and requires the Town to report OPEB costs on an actuarial basis to account for the future costs of promised benefits. The Town's annual OPEB cost is calculated based on the Annual Required Contribution ("ARC") of the employer, an amount actuarially determined in accordance with GASB 45. GASB requires the ARC to be developed each year based on the plan's assets and liabilities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Although GASB does not actually require prefunding, the portion of the ARC that is not funded each year would accumulate as a liability on the Town's financial statements. The Town has not established an irrevocable OPEB trust, though it is considering the possibility of doing so.

The following table shows the components of the Town's annual OPEB cost for the Fiscal Year ended June 30, 2012 and June 30, 2013, the amount actually contributed to the plan (including implicit subsidy, if any), and changes in the Town's net OPEB obligation (asset).

<u>Item</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Annual Required Contribution	\$1,480,377	\$1,376,543
Interest on Net OPEB Obligation (Asset)	190,371	149,172
Adjustment to Annual Required Contributions	<u>(215,655)</u>	<u>(163,058)</u>
Annual OPEB Cost (expense)	1,455,093	1,362,657
Retiree Premium cost	(362,795)	(332,686)
Increase in net OPEB Obligation	<u>1,092,298</u>	<u>1,029,971</u>
Net OPEB Obligation - beginning of year	4,759,281	3,729,310
Net OPEB Obligation - end of year	<u>\$5,851,579</u>	<u>\$4,759,281</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows, based on the Town's actuarial valuation as of July 1, 2008, July 1, 2011, and July 1, 2014:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Asset (NOA)</u>
June 30, 2011	\$ 1,210,202	\$ 235,945	19.5%	\$ 2,753,205
June 30, 2012	\$ 1,274,489	\$ 298,384	23.4%	\$ 3,729,310
June 30, 2013	\$ 1,362,657	\$ 332,686	24.4%	\$ 4,759,282
June 30, 2014	\$ 1,455,093	\$ 362,795	24.9%	\$ 5,851,579
June 30, 2015	\$ 1,240,058	\$ 465,447	37.5%	\$ 6,626,190
June 30, 2016	\$ 1,302,238	\$ 521,270	40.0%	\$ 7,407,158
June 30, 2017	\$ 1,367,185	\$ 544,260	39.8%	\$ 8,230,083

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2014 and June 30, 2013, was as follows:

	<u>2014</u>	<u>2013</u>
Actuarial accrued liability (AAL)	\$ 16,638,509	\$ 15,659,548
Actuarial value on plan assets (6/30/11)	-	-
Unfunded actuarial accrued liability (UAAL)	16,638,509	15,659,548
Funded Ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 4,374,210	\$ 4,365,743
UAAL as a percentage of covered payroll	380%	359%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. 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 to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the 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 July 1, 2014, actuarial valuation, the entry age normal cost method with normal cost determined on a level percent of pay basis. The Town approved calculations on a pay-as-you-go basis using a 4.0% discount rate. Assumptions include a healthcare cost trend rate of 5.50% in 2015, reduced to 5.00% in 2016, 4.50% in 2017 and 2018, and to an ultimate rate of 4.64% in 2019 and 2020. The UAAL is being amortized over a fixed 30-year period as a level percentage of projected payroll beginning with the year ended June 30, 2009.

	(A)	(B)	(C)	(D)	(E)	(F)
<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability (Excess Assets) [(A)/(B)]</u>	<u>Funded Status [(A)/(B)]</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll [(B)-(A)/(E)]</u>
7/01/08	\$-0-	\$9,680,563	\$9,680,563	0%	\$4,198,207	231.6%
7/01/11	\$-0-	\$14,716,283	\$14,716,283	0%	\$4,365,743	337.1%
7/01/14	\$-0-	\$9,476,398	\$9,476,398	0%	\$3,610,247	262.5%

Town Investment Policy and Portfolio

State law limits investments in various securities to certain levels of risk ratings issued by nationally recognized statistical rating organizations. It is the Town's policy to comply with those requirements. The Town does not enter into reverse repurchase agreements. Trustees under bond indentures may invest in guaranteed investment contracts.

The Town is a voluntary participant in the Local Agency Investment Fund ("LAIF") that is regulated by the Government Code under the oversight of the State Treasurer. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

The Town maintains specific cash deposits with the County and voluntarily participates in the external investment pool of the County. The County has a written investment policy, approved by the Board of Supervisors, that is more restrictive than State code as to terms of maturity and type of investment. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's investment pool.

In accordance with the Government Code, the Town requires certain collateralization for public deposits in banks and savings and loans, and has long-established safekeeping and custody procedures.

Employment

The following table presents the annual average distribution of persons in various wage and salary employment categories for San Mateo County for 2009 through 2013.

TABLE 16
SAN MATEO COUNTY
ANNUAL AVERAGE EMPLOYMENT COMPARISON

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Civilian Labor Force	374,200	392,600	399,600	412,600	420,200
Employment	343,500	359,700	369,400	386,100	398,200
Unemployment	30,700	32,800	30,100	26,500	22,000
Unemployment Rate	8.2%	8.4%	7.5%	6.4%	5.2%
<u>Wage and Salary Employment:</u>					
Total Farm	1,700	1,700	1,600	1,600	1,600
Natural Resources, Mining and Construction	13,800	12,900	14,200	15,200	16,700
Manufacturing	26,700	26,300	25,500	24,400	25,700
Wholesale Trade	11,300	11,200	11,100	11,500	11,200
Retail Trade	33,300	32,800	33,200	33,200	34,100
Transportation, Warehousing and Utilities	25,300	24,400	24,100	25,500	27,100
Information	18,100	17,500	17,900	20,900	23,600
Finance and Insurance	13,500	13,200	13,500	13,800	13,900
Real Estate and Rental and Leasing	5,600	5,400	5,900	6,200	6,300
Professional and Business Services	60,900	60,000	64,000	69,500	71,000
Educational and Health Services	36,700	35,300	36,400	37,400	39,700
Leisure and Hospitality	33,500	33,800	35,400	36,800	39,500
Other Services	11,500	11,200	12,200	12,900	13,300
Government	31,300	31,300	30,600	30,300	30,400
Federal Government	3,500	4,000	3,800	3,700	3,600
State Government	600	600	600	600	600
Local Government	<u>27,300</u>	<u>26,700</u>	<u>26,200</u>	<u>26,000</u>	<u>26,200</u>
Total All Industries	<u>323,000</u>	<u>317,000</u>	<u>325,500</u>	<u>339,100</u>	<u>354,100</u>

Source: State of California Employment Development Department.

Transportation

Colma (Bart Station) serves the Town as part of the Bay Area Rapid Transit (“BART”) system. The station is served by the Pittsburg/Bay Point-SFO/Millbrae and Richmond-Millbrae lines, and served as a terminal from 1996 to 2003, prior to the SFO/Millbrae extension. Since the extension, the next station to the south has been South San Francisco Station, located 0.1 miles from Colma’s southern city limits.

Bus service is provided by San Mateo County Transit District (“SamTrans”).

Scheduled air transportation is available from the San Francisco International Airport, approximately 10 miles to the south.

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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

DEFINITIONS

Unless the context otherwise requires, the terms defined below shall for all purposes of this summary and of any report or other document mentioned below having the meanings defined below, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined. All capitalized terms used below and not defined below shall have the meanings ascribed thereto in the Trust Agreement

“Acquisition Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Certificates of Participation” or “Certificates” means the \$_____ aggregate principal amount of Town of Colma 2015 Certificates of Participation (Town Hall) to be executed and delivered pursuant to the Agreement.

“Town” means the Town of Colma, a Town and municipal corporation, duly organized and existing under the Constitution and laws of the State of California.

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

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

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

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

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

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the Town or the Corporation relating to the execution, sale and delivery of the Lease Agreement or the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing

discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, costs of municipal certificate insurance, fees for execution, transportation and safekeeping of the Certificates, and charges and fees in connection with the foregoing.

“Delivery Costs Fund” means the fund by that name established pursuant to the Trust Agreement.

“Defeasance Obligations” means any of the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - U.S. treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA)
 - State and Local Government Series

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

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

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

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

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service”, 30 Montgomery Street, 10th Floor, Jersey Town, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10004; Mergent “Municipal and Government,” 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bonds Dept.; Standard & Poor’s Corporation “Called Bond Record,” 65 Broadway, 16th Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other information services providing information with respect to called bonds as the Town may designate in a Written Certificate of the Town delivered to the Trustee.

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

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

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

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

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

“Leased Premises” means the property on which the Town’s police station is located and all of the improvements thereon which is further described in the Lease Agreement.

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

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

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

- (1) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates for the payment or prepayment of which funds or Federal Securities in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Agreement.

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

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

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

- (1) Defeasance Obligations
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Rural Economic Community Development Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - U.S. Department of Housing & Urban Development (PHAs)
 - Federal Housing Administration
 - Federal Financing Bank
- (3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer
- (4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which may include the Trustee and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;
- (7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
 - (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other

obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

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

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

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

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

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

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

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

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

(2) the provider’s rating by either Standard & Poor’s or Moody’s is withdrawn or suspended or falls below “A-” or “A3,” respectively, the provider must, at the direction of the Town or the Trustee, within ten (10) days of receipt of such direction,

repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the Town or the Trustee; and

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

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

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

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

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

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

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;

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

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

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

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

“Project” has the meaning set forth in the Lease Agreement.

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

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

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

“Reserve Requirement” means as of any date of calculation an amount equal to the least of (i) 10 percent of the proceeds of the Certificates, (ii) maximum aggregate Lease Payments required to be paid in any Certificate Year, or (iii) 125 percent of the average annual Lease Payment.

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

“State” means the State of California.

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

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

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

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

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

“Written Certificate”, “Written Request” and “Written Requisition” of the Corporation or the Town mean, respectively, a written certificate, request or requisition signed in the name of the Corporation by a Corporation Representative or the Town by a Town 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.

TRUST AGREEMENT

Delivery Costs Fund

Under the Agreement, the Trustee shall establish a special fund designated as the “Town of Colma 2015 Certificates Delivery Costs Fund”; shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided in the Agreement. There shall be deposited in the Costs of Issuance Fund the proceeds of the sale of the Certificates required to be deposited therein pursuant to the Agreement.

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

Acquisition Fund

Under the Agreement, the Trustee shall establish, maintain and hold in trust a separate fund to be known as the “Town of Colma 2015 Certificates Acquisition Fund.” Except as otherwise provided in the Agreement, moneys in the Acquisition Fund shall be used solely for the acquisition of the Project. The Trustee shall disburse moneys in the Acquisition Fund on the Closing Date to purchase the Project at the Written Requisition of the Town. Each such Written Requisition of the Town 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. Upon the payment of the purchase price for the acquisition of the Project, the Acquisition Fund shall be closed.

Assignment of Rights in Lease Agreement

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

Establishment of Lease Payment Fund; Deposits

Under the Agreement, the Trustee shall establish a special fund designated as the “Town of Colma 2015 Certificates of Participation Lease Payment Fund.” All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Town and the Owners of the Certificates, and shall be used and applied by the Trustee as set forth in the Agreement.

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

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

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

Establishment of Reserve Fund

Under the Agreement, the Trustee shall establish a special fund designated as the “Town of Colma 2015 Certificates of Participation Reserve Fund.” All moneys at any time on deposit in the Reserve Fund shall be held by the Trustee in trust for the benefit of the Town and the Owners of the Certificates, and applied solely as provided in the Agreement.

Under the Agreement, the Trustee shall, semiannually on or prior to each March 1 and September 1 beginning September 1, 2015, (i) cause the Reserve Fund to be valued pursuant to Section 8.05 hereof, and (ii) transfer any moneys available in the Reserve Fund (as so valued) in excess of the Reserve Requirement to the Lease Payment Fund.

If on any Interest Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest and prepayment premiums (if any) with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Lease Payments on behalf of the Town by transferring the amount necessary for such purpose to the Lease Payment Fund. If after such a transfer, a deficiency remains in the Lease Payment Fund, the Trustee shall apply the amount, if any, on deposit in the Lease Payment Fund first to the payment of interest past due with respect to all Certificates on a pro rata basis, and second to the payment of the unpaid principal balance with respect to each Certificate which is then past due on a pro rata basis.

If on any Interest Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of past due principal or interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal, interest and prepayment premiums (if any), the Trustee shall, upon the written direction of the Town Representative, transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments or Prepayments on behalf of the Town, and such moneys shall be paid to the Owners of Certificates in accordance with Article II of the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding

Certificates, or upon provision for such payment as provided in the Agreement, shall after payment of amounts due the Trustee under the Agreement be withdrawn by the Trustee and paid to the Town.

The Reserve Requirement may be satisfied by crediting to the Reserve Fund the Reserve Fund Credit Facility which makes funds available in the Reserve Fund in an amount equal to the Reserve Requirement. The Trustee shall draw on the Reserve Fund Credit Facility in accordance with its terms when and if moneys are needed pursuant to the provisions of the Agreement.

Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award

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

Application of Net Proceeds of Eminent Domain Award

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

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

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

(b) If (1) less than all of the Leased Premises shall have been taken in such eminent domain proceedings, and if the Town determines and certifies to the Trustee that such eminent domain proceedings have materially affected the operation of the Leased Premises or the ability of the Town to meet any of its obligations under the Lease Agreement or (2) all of the Leased Premises shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the Prepayment required to be paid pursuant to the Lease Agreement and applied to the prepayment of Certificates in the manner provided in Article IV hereof.

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

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

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

The Town and the Corporation acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Town or the Corporation the rights to receive brokerage confirmations of security transactions as they occur, the Town and the Corporation will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Town and the Corporation periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Agreement. The Trustee may make any investments under the Trust Agreement 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 under the Agreement.

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

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

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

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

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

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

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

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

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

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

The Trustee may, and upon the written request of the Town Representative shall, commingle any of the funds held by it pursuant to the Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee under the Agreement shall be accounted for separately notwithstanding such commingling by the Trustee.

Amendments Permitted

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

The Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement (1) to add to the covenants and agreements of any party other covenants to be observed, or to surrender any right or power in the Lease Agreement or Trust Agreement reserved to the Corporation or the Town, (2) to cure, correct or supplement any ambiguous or defective provision contained in the Lease Agreement or Trust Agreement, or (3) in regard to questions arising under the Trust Agreement or Lease Agreement, as the parties hereto or thereto may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Certificates. Any such

supplemental agreement shall become effective upon execution and delivery by the parties in the Lease Agreement or Trust Agreement, as the case may be.

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

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

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

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

Compliance With and Enforcement of Lease Agreement

The Town covenants and agrees with the owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

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

Payment of Taxes

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

Observance of Laws and Regulations

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

Prosecution and Defense of Suits

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

Recordation and Filing

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

Town Budgets

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

Further Assurances

The Corporation and the Town will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided in the Agreement.

Continuing Disclosure

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

Tax Covenants

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

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

The Town and the Corporation shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

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

The Town shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Certificates which are required to be rebated to the United States of America pursuant to Section 148(f) of the Tax Code, at the times and in the manner required pursuant to the Tax Code. The Town shall pay or cause to be paid 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 pursuant to the Tax Code, such payments to be made from amounts provided by the Town for such purpose pursuant to the Lease Agreement. The Town shall keep or cause to be kept, and retain or cause to be retained for a period of six (6) years following the retirement of the Certificates, records of the determinations made

pursuant to this subsection (e). The Trustee shall have no duty to monitor the compliance by the Town with any of the covenants contained in this subsection (e).

Limited Liability of Town

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

No Liability for Trustee Performance

Except for those specific instances provided for in the Agreement where the Trustee must act as specifically requested or ordered by the Town or the Corporation, neither the Town nor the Corporation shall have any obligation or liability to any of the other parties hereto or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Agreement.

Limited Liability of Trustee

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

Events of Default Defined

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

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

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

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

Remedies

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Agreement or the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Application of Funds

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

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

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

Defeasance

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

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

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

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

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

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

LEASE AGREEMENT

Representations, Covenants and Warranties of the Corporation

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

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

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

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

On the Closing Date, the Corporation shall cause to be deposited with the Trustee the proceeds of sale of the Certificates pursuant to the Trust Agreement.

Payment of the acquisition costs of the Project shall be made from moneys deposited in the Acquisition Fund, which moneys shall be disbursed for such purpose as provided in the Trust Agreement.

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

Lease; No Merger

(a) In consideration of the payment of a lease payment of \$_____ by the Corporation and in consideration of the execution of the Lease Agreement by the Town, and other good and valuable consideration, the Town leases to the Corporation pursuant to the Lease Agreement, and the Corporation hereby leases from the Town, the Leased Premises for the Term of the Lease Agreement, plus one week following the end of the Term of the Lease Agreement.

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

(c) The Town shall take possession of the Leased Premises on the Closing Date as provided for in the Lease Agreement.

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

Term of Lease

The Term of the Lease shall commence as of August 1, 2015 and, unless sooner terminated as provided for in the Lease, shall terminate on September 1, 2045, unless, on September 1, 2045, any Certificates are Outstanding, the Lease shall continue in full force and effect until 10 days after payment in full of all of the Certificates.

Termination of Term

The Term of the Lease shall terminate upon the earliest of any of the following events:

- (a) the exercise by the Town of its option to purchase the Leased Premises, on any Prepayment Date, by paying the applicable Prepayment Price as provided in Section 10.2(a) hereof;
- (b) an Event of Default and the Corporation's election to terminate the Lease Agreement pursuant to the Lease; or
- (c) the arrival of the last day of the Term of the Lease and payment of all Lease Payments and all other payments due under the Lease.

Possession

The Town agrees to take possession of the Leased Premises.

Lease Payments

Subject to the provisions of the Lease, the Town agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Leased Premises, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Exhibit A of the Lease. A portion of each Lease Payment shall be paid as, and represents payment of, interest. The interest component of each Lease Payment is set forth in Exhibit A of the Lease. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Article X of the Lease, and other amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. All Lease Payments for the Leased Premises for the period from the Closing Date to [____, 2016] shall be for the use of the Leased Premises for such period of time. All Lease Payments for the Leased Premises due during any twelve-month period beginning on [____ 1, 2016] shall be for the use of the Leased Premises for such twelve-month period.

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

The Lease Payments for the Leased Premises for each rental payment period during the Term of the Lease shall constitute the total rental for the Leased Premises, if any, for such rental payment period, and shall be paid by the Town in each rental payment period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Premises during each such period for which said rental is to be paid. The parties to the Lease have agreed and determined that the total Lease Payments for the Leased Premises represent the fair rental value of the Leased Premises.

In making such determination, consideration has been given to the cost of acquiring, improving, constructing, installing and financing the Leased Premises, other obligations of the parties under the Lease, the uses and purposes which may be served by the Leased Premises, and the benefits therefrom which will accrue to the Town and the general public.

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

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

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

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

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

In the event the Town should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the Town until the amount in default shall have been fully paid, and the Town agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum equal to the average interest rate on the Certificates. Such interest, if received, shall be deposited in the Payment Fund.

Modification of Leased Premises

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

Public Liability and Property Damage Insurance and Workers Compensation Insurance

The Town shall maintain or cause to be maintained, throughout the term of the Lease, a standard comprehensive general liability insurance policy or policies in protection of the Town, the Corporation and its members, officers, agents and employees, and the Trustee. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Leased Premises. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$250,000 for damage to property (subject to a deductible clause of not to exceed \$200,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the Town, and may be maintained in whole or in part in the form of self-insurance by the Town. The Net

Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

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

Fire and Extended Coverage Insurance

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

Rental Interruption or Use and Occupancy Insurance

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

Title Insurance

Upon the execution and delivery of the Certificates the Town will provide, at its own expense, one or more CLTA leasehold title insurance policies with respect to the Town's leasehold interest in the Leased Premises. Said policy or policies shall insure the Town's leasehold estate in the Leased Premises, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies shall be deposited with the Trustee in the Lease Payment Fund and shall be credited towards the prepayment of the remaining Lease Payments pursuant to Article VI hereof.

Insurance Net Proceeds; Form of Policies

Each policy of insurance required by Sections 5.4, 5.5 and 5.6 of the Lease shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners. The Town shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease, and shall promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any

intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance required in the Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The Town shall cause to be delivered to the Trustee annually a certificate signed by a Town Representative stating that each of the insurance policies required by Sections 5.3, 5.4, 5.5 and 5.6 of the Lease are in full force and effect. The Trustee may conclusively rely upon such certificate as evidence that the Town has complied with Sections 5.3, 5.4, 5.5 and 5.6 of the Lease.

Advances

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

Installation of Town's Equipment

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

Liens

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

Self-Insurance

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

Tax Covenants

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

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

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

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

Payment of Rebatable Amounts

The Town agrees to furnish all information to, and cooperate fully with, the Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 11.09(e) of the Trust Agreement. If the Town has provided the Trustee with the calculations of rebate pursuant to the Trust Agreement and the Trustee does not have on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, with respect to the Certificates) to make such payment as specified in such calculations, the Trustee shall promptly notify the Town of such fact. Upon receipt of any such notice, the Town shall promptly pay the amounts to be due and payable to the United States of America under the Lease, such payments to be made in accordance with the applicable provisions of the Tax Code.

Change in Use

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

Eminent Domain

If all of the Leased Premises shall be taken permanently under the power of eminent domain, the term of the Lease shall cease as of the day possession shall be so taken. If less than all of the Leased Premises shall be taken permanently, or if all of the Leased Premises or any part thereof shall be taken temporarily, under the power of eminent domain, (1) the Lease shall continue in full force and effect and

shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments under the Lease, but in no event shall the resulting Lease Payments be less than the amount required for the payment of the principal and interest with respect to outstanding Certificates as the same become due and payable.

Application of Net Proceeds

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

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

Abatement of Rental in the Event of Damage or Destruction

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

Assignment by the Corporation

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

Assignment and Subleasing by the Town

The Lease may not be assigned by the Town. Except as provided below, the Leased Premises may not be subleased in whole or in part by the Town without the written consent of the Corporation. Any such sublease shall be subject to all of the following conditions:

(i) The Lease and the obligation of the Town to make Lease Payments under the Lease shall remain obligations of the Town; and

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

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

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

Notwithstanding the foregoing, the Town may sublease the Leased Premises in part without the written consent of the Corporation for the purpose of permitting the installation, maintenance and operation one or more cell towers thereon provided that any such sublease shall be subject to the satisfaction of the above conditions and provided that the Town shall deliver to the Corporation a certificate verifying that the installation, maintenance and operation of such a cell tower or cell towers shall not adversely affect the structural integrity of the improvements on the Leased Premises or materially interfere with the City's use and enjoyment of the Lease Premises.

Amendment of the Lease

Without the written consent of the Trustee, the Town will not alter, modify or cancel, or agree or consent to alter, modify or cancel the Lease, excepting only as such alteration or modification may be permitted by Article X of the Trust Agreement.

Events of Default and Remedies

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

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

(ii) Failure by the Town to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) with the Lease, for a period of

thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Town by the Corporation, the Trustee, or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Town within the applicable period and diligently pursued until the default is corrected.

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

Remedies on Default

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

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

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

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

No Remedy Exclusive

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

Agreement to Pay Attorneys' Fees and Expenses

In the event either party to the Lease should default under any of the provisions of the Lease and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the

defaulting party contained in the Lease, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

No Additional Waiver Implied by One Waiver

In the event any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Lease.

Application of Proceeds

All Net Proceeds received from the release or other disposition of the Leased Premises, under this Article IX, and all other amounts derived by the Corporation or the Trustee as a result of an Event of Default under the Lease, shall be transferred to the Trustee promptly upon receipt thereof and after payment of the fees and expenses of the Trustee, including, without limitation those of its attorneys, agents and advisors shall be deposited by the Trustee in the Acquisition Fund to be applied as provided for in Section 13.03 of the Trust Agreement.

Trustee and Certificate Owners to Exercise Rights

Such rights and remedies as are given to the Corporation under Article IX of the Lease been assigned by the Corporation to the Trustee under the Trust Agreement, to which assignment the Town consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR FISCAL YEAR 2013—14

APPENDIX D

PROPOSED FORM OF FINAL OPINION

_____, 2015

Town of Colma
1198 El Camino Real
Colma, CA 94014

Re: \$_____ Town of Colma 2015 Certificates of Participation
(Town Hall)

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the Town of Colma (the "Town") in connection with the authorization, execution and delivery by the Town of the Lease Agreement dated as of August 1, 2015 (the "Lease Agreement") by and between the Public Property Financing Corporation of California (the "Corporation") and the Town. We have also reviewed the executed Lease Agreement; the executed Trust Agreement, dated as of August 1, 2015 (the "Trust Agreement"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Corporation and the Town; and such other information and documents as we consider necessary to render this opinion.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the above-captioned certificates of participation (the "Certificates of Participation") evidencing proportionate undivided interests in lease payments to be made by the Town pursuant to the Lease Agreement.

Based on the foregoing, we are of the opinion that the obligation of the Town to pay lease payments under the Lease Agreement is a valid and binding obligation payable from any source of available revenues and certain amounts held in the funds and accounts created by the Trust Agreement for the benefit of the Owners of the Certificates of Participation.

We are further of the opinion that the Lease Agreement and the Trust Agreement have been duly authorized, executed and delivered by the Town and constitute valid and legally binding agreements of the Town enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles and exercise of judicial discretion in appropriate cases. The Certificates of Participation have been duly executed and delivered by the Trustee and are entitled to the benefits of the Trust Agreement.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebated requirements which must be met subsequent to the issuance and delivery of the Certificates of Participation for the portion of each lease payment due under the Lease Agreement designated as and comprising interest and received by the owners of the Certificates of Participation (the "Interest Component") to be and remain excluded from gross income for purposes of federal taxation. Noncompliance with such requirements could cause the Interest Component to be included in federal

gross income retroactive to the date of delivery of the Certificates of Participation Pursuant to the Trust Agreement, the Town has covenanted to comply with the requirements of the Code.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, assuming compliance with the aforementioned covenant, the Interest Component is excluded from gross income for purposes of federal income taxation. We are further of the opinion that the Interest Component is not a specified preference item for purposes of the alternative minimum tax provisions of the Code. However, the Interest Component, or any portion thereof, received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations. Although the Interest Component is excluded from gross income for purposes of federal income taxation, the accrual or receipt of the Interest Component may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

We are further of the opinion that the Interest Component is exempt from personal income taxation imposed by the State of California.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and delivered by and between THE TOWN OF COLMA (the “Issuer”) and [REDACTED], a national banking association (the “Dissemination Agent”) in connection with the issuance of the \$_____ Town of Colma 2015 Certificates of Participation (Town Hall) (the “Certificates”). The Certificates are being issued pursuant to a Trust Agreement dated as of August 1, 2015 (the “Trust Agreement”) between the Issuer and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the “Trustee”). The Issuer and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Owners of the Certificates and in order to assist the Participating Underwriter (as defined herein) in complying with S.E.C. Rule 15c-12(b)(5).

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

“Annual Report” shall mean any Annual Reports provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Director of Finance and City Manager or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean [REDACTED], acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Fiscal Year” shall mean the twelve-month period beginning on July 1 of each year and ending on June 30 of the following year.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission’s internet site at www.sec.gov.

“Official Statement” means the Official Statement regarding the Certificates dated _____, 2015.

“Participating Underwriter” shall mean the original underwriter of the Certificates required to comply with the Rule in connection with the offering of the Certificates. The Participating Underwriter is _____.

“Repository” shall mean each National Repository and each State Repository.

“Reserve Facility” shall mean any surety bond, insurance policy, letter of credit or other similar facility guaranteeing payment of principal and interest with respect to the Certificates which the Issuer may provide for all or part of the Reserve Fund.

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

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

“Tax-exempt” shall mean that interest on the Certificates is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than April 1 of each year, commencing April 1, 2016, provide to each Repository, and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. The information contained or incorporated in each Annual Report shall be for the Fiscal Year which ended on the preceding June 30. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certifications of the Issuer and shall have no duty or obligation to review any such Annual Report.

(b) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date specified in subsection (a), the Dissemination Agent shall send a notice to each Repository and the Bond Insurer, or, in the alternative, the Municipal Securities Rulemaking Board and the Bond Insurer, in substantially the form attached as Attachment A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) to the extent it can confirm such filing of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

1. The principal amount of the Certificates outstanding.
2. The balance on deposit in the Reserve Fund or the face amount of any Reserve Facility.
3. Any failure of the Issuer or the Trustee to pay principal or interest with respect to the Certificates on any scheduled payment date since the date of the last Annual Report.

4. The amount of any funds withdrawn from the Reserve Fund or draw on any Reserve Facility to pay principal or interest with respect to the Certificates since the date of the last Annual Report.
5. The most recent audited financial statements of the Issuer.
6. Information regarding the filing and contents of any notice of any Listed Event which has been filed pursuant to Section 5 of this Disclosure Agreement since the date of the last Annual Report.

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

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give or cause to be given, notice of the occurrence of any of the following event:

1. Delinquency in payment when due of any principal or interest with respect to the Certificates.
2. Occurrence of any default under the Trust Agreement (other than as described in clause (1) above).
3. Amendment to or modification of the Trust Agreement or this Disclosure Agreement modifying the rights of the Owners of the Certificates.
4. Giving of a notice of optional or unscheduled redemption of any of the Certificates.
5. Defeasance of the Certificates or any portion thereof.
6. Any change in any rating on the Certificates.
7. Adverse tax opinions or events affecting the Tax-exempt status of the Certificates.
8. Any unscheduled draw on the Reserve Fund or any Reserve Facility reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. The release, substitution or sale of property securing repayment of the Certificates (including property leased, mortgaged or pledged as such security).

(b) The Dissemination Agent shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in clauses (a)(1), (4) or (5)), with no obligation to determine the materiality thereof, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For the purpose of this Disclosure Agreement “actual knowledge” means actual knowledge at the corporate trust office of the Dissemination Agent by an officer of the Dissemination Agent with responsibility for matters related to the administration of the Trust Agreement.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would constitute material information for Owners of the Certificates under applicable Federal securities law, provided that any event under subsection (a) (6) will always be deemed to be material.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board, the Bond Insurer and each State Repository. Notwithstanding the foregoing:

(i) Notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the Issuer gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) Notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Certificates pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The Issuer’s obligations under this Disclosure Agreement shall terminate upon the defeasance, prior prepayment or payment in full of all of the Certificates.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be [REDACTED]. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Trustee. If at any time there is no designated Dissemination Agent appointed by the Issuer, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Issuer shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment requested by the Issuer, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities law, acceptable to the Issuer and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may, and, at the request of the Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of the outstanding Certificates, shall (but only to the extent funds in any amount satisfactory to the Dissemination Agent have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges whatsoever related thereto, including without limitation, fees and expenses of its attorneys), or any Owner of the Certificates may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Trust Agreement and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Trust Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its 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 be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed by the Issuer all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. Neither the Dissemination Agent nor the Trustee shall have any duty or obligation to review any information provided to it hereunder or shall be deemed to be acting in any fiduciary capacity for the Issuer, the Owners of the Certificates or any other party. The obligations of the Issuer under this section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any document or any further act.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure 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.

Dated: _____, 2015

TOWN OF COLMA, CALIFORNIA

By: _____
Authorized Officer

[_____]

By: _____
Authorized Signatory

**ATTACHMENT A
NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: TOWN OF COLMA

Name of Bond Issue: TOWN OF COLMA 2015 CERTIFICATES OF PARTICIPATION (TOWN HALL)

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-referenced Certificates as required by the Trust Agreement dated as of August 1, 2015 between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Issuer anticipates that _____ the _____ Annual Report will be filed by _____.

Dated: _____

_____, as Dissemination Agent on Behalf of
the Issuer

By: _____
Authorized Signatory

APPENDIX F

BOOK ENTRY PROVISIONS

Information concerning The Depository Trust Company (“DTC”) and the Book-entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Corporation, the Town, the Underwriter or the Trustee.

Bonds in Book-entry Form

When the Certificates are issued, beneficial ownership interests will be available to the actual purchasers of the Certificates (the “Beneficial Owners”) only by or through Participants via a book-entry system (the “Book-entry System”) maintained by DTC. If the Certificates are taken out of the Book-entry System and delivered to owners in physical form, as contemplated hereinafter under “Discontinuance of DTC Services,” the following discussion will not apply.

DTC and its Participants

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered certificate will be issued for each maturity of the Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and collectively with Direct Participants, “Participants”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants which will receive a credit for the Certificates 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 or Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Certificates is discontinued.

So long as Cede & Co., as nominee of DTC (or any other nominee of DTC), is the registered owner of the Certificates, all references herein to the owners of the Certificates or registered owners of the Certificates shall mean Cede & Co., as such nominee, and shall not mean the Beneficial Owners of the Certificates. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates. DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The 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.

Redemption notices will be sent to Cede & Co. If less than all of the Certificates 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. will consent or vote with respect to the Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Trustee 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings as shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Bond Trustee, the Corporation or the County subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to DTC is the responsibility of the Bond Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Certificates purchased or tendered through its Participant, to the Tender Agent, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates on DTC's records, to the Remarketing Agent. The requirement for physical delivery of the Certificates in connection with a demand for purchase or mandatory purchase will be deemed satisfied when the ownership rights of the Certificates are transferred by Direct Participants on DTC's records.

Neither the Corporation, the Town nor the Trustee shall have any responsibility or obligation to any DTC Participant or any Beneficial Owner with respect to: (1) the accuracy of any records maintained by DTC or any Participant; (2) the payment-by DTC or any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Certificates; (3) the delivery by DTC or any Participant to any Beneficial Owner of any notice (including a notice of redemption) or other communication which is required or permitted to be given to owners of the

Certificates under the Trust Agreement for the Certificates; (4) the selection of the Beneficial Owners to receive payment in the event of a partial redemption of the Certificates; or (5) any consent given or other action taken by DTC as Certificate holder.

Discontinuance of DTC Services

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Corporation or to the Trustee. The Trustee may remove DTC or any successor at any time and will do so upon the written direction of the Corporation. Under such circumstances, in the event that a successor securities depository is not selected as provided in the Trust Agreement, certificates for the Certificates are required to be printed and delivered.





STAFF REPORT

TO: Mayor and Members of the City Council
 FROM: Sean Rabé, City Manager
 MEETING DATE: July 22, 2015
 SUBJECT: Nonprofit Grant Category Funding Levels

RECOMMENDATION

Staff recommends that the City Council adopt the following motion:

MOTION TO ESTABLISH FUNDING CATEGORIES FOR GRANTS TO NONPROFITS AS PRESENTED BY STAFF.

EXECUTIVE SUMMARY

The Town's grant policy, adopted last February, established criteria for determining whether (1) an applicant is eligible for grant funding and (2) the application for a particular program or project should be approved. It also established a process for orderly consideration of grant applications.

Based on lessons learned from last season's applications, in December 2014 staff recommended and Council approved changes to the policy that changed the "rough proportionality" test from a requirement to a factor to be considered, and created separate categories of programs or projects that qualify for a grant.

According to the policy, Council must designate how much of the budgeted non-profit grant amounts are to be allocated to each grant category. This process must be done prior to the awarding of the grants themselves, which will occur at the September Council meeting.

FISCAL IMPACT

There is no direct fiscal impact with the allocation of grant funding to the categories of grants because the Town's Fiscal Year 2015-16 Budget provided \$96,800 for nonprofit grants. The decision before the Council simply allocates where the budgeted funding will go.

BACKGROUND

By Resolution 2014-07, the City Council adopted a formal policy authorizing the City Council to approve grants to charitable organizations, governmental agencies and chambers of commerce. The policy established criteria for determining an applicant's eligibility for grant funding, criteria for approving grant applications, limitations on grants, and a list of the types of programs and projects that are eligible for grant funding.

By Resolution 2014-55, the City Council modified the earlier resolution by changing the rough proportionality requirement to a factor that may be considered by Council and by replacing the 10 examples of programs or projects that would qualify for a grant, such as providing food, shelter, or clothing to needy persons, with five categories of programs that would qualify for a

grant. Staff recommended this change because few organizations used or referred to the examples in their applications. At the same time, staff noticed that many nonprofits found it difficult to articulate a reason why their programs provided a public benefit or served a public purpose – yet those nonprofits are certainly deserving of receiving a grant from the Town for the work they do to benefit the greater Colma community.

To help guide the nonprofits in identifying a public purpose in their requested program and assist the Council in making that determination, staff recommends creating five categories of qualifying programs or projects. To qualify for a grant, the program or project to be funded must:

- (1) Provide shelter, food, or clothing to persons in need of the *Necessities of Life*;
- (2) Provide physical or mental health services to persons with special needs, or *Integrated Care Services*;
- (3) *Educate* and engage residents;
- (4) Promote *Economic Development* or support businesses located or doing business in the Town; or
- (5) Provide, support, or enhance a *Complementary Service*, e.g., a service that the Town could provide to its residents or businesses.

ANALYSIS

Proposed funding amounts per category

As the Council knows, the FY 2015/16 budget includes a total of \$96,800 designated for nonprofit grants. Because the grant process is still being fine-tuned, staff used last year’s approved grants as the basis for the funding recommendations. Because of the timing of the grant process, staff does not have applications for FY 2015-16 yet (applications are due by 5 pm August 3).

Based on last year’s funded applications (and an anticipated new application), staff recommends the following amounts for each category:

Category	Funding Amount
Provide for Necessities of Life	20%
Provide for Integrated Care Services	15%
Education	10%
Promote Economic Development	40%
Provide for a Complementary Service	15%

Note that the funding amount is presented as a percentage, rather than as a specific dollar amount. Staff proposes establishing a percentage in order to allow flexibility during the grant awarding process. It should also be noted that the Council can transfer a portion of one category’s funding to another category, if the Town does not receive funding requests adequate to deplete the funding amount established for a specific category.

Values

Approving grants for nonprofit organizations, governmental entities, or chambers of commerce is a *compassionate* response to those in need. However, grant approvals must still be made in a *responsible* manner. Adoption of the proposed funding levels helps ensure that grants are approved in a *responsible* manner.

Sustainability Impact

Not applicable.

Alternatives

Council could modify the funding percentages as it sees fit. This is strictly a policy decision for the Council to make.

CONCLUSION

Staff recommends that the Council approve the nonprofit grant category funding levels as presented by staff.

ATTACHMENT:

A. Colma Administrative Code Section 4.03.010



CHAPTER FOUR: FINANCIAL MANAGEMENT**SUBCHAPTER 4.03: Grants and Donations****4.03.010 Purpose and Findings**

(a) The purposes of this subchapter are to establish policies and procedures for assuring that all grants for charitable purposes are lawful and for establishing a fair and efficient process for reviewing and approving requests for grants or donations.

(b) The City Council finds that:

- (1) *Need to Rely on Partners to Provide Services.* Because of the Town's small size and limited resources, the Town relies on the assistance of partnering agencies to provide services that the Town cannot efficiently provide. The Town's population is only 1,458, with only 463 housing units. With this small population and limited number of housing units, which tend to be in generally good condition, issues relating to housing and housing support services by the public within Colma are few. With few housing issues within the Town, there is insufficient work to support full or part-time housing agency staff. Rather, the Town depends on the San Mateo County Department of Housing and the non-profit organization to meet the needs of the community.
- (2) *Difficulty in Quantifying the Public Benefit.* With a lot of nonprofit organizations, it is difficult to quantify the benefits to the community at large. One reason is the reluctance of the recipients of benefits to identify their place of residence. The North Peninsula Food Pantry and Dining Center of Daly City, for example, refuses to even ask recipients for their addresses for fear of embarrassing them. Yet, officials of the Food Pantry have represented to the Town that there is enough anecdotal evidence to conclude that the Pantry serves a substantial number of Colma residents as well as homeless individuals passing through Town.
- (3) *Legislation.* The Legislature and the courts have consistently held that providing food, shelter or clothing to needy persons serves a public purpose. "[T]he clearance, re-planning, and reconstruction of the areas in which insanitary or unsafe housing conditions exist and the providing of safe and sanitary dwelling accommodations for persons of low income are public uses and purposes for which public money may be spent and private property acquired and are governmental functions of state concern." (Calif. Health and Safety Code § 34201)
- (4) *Transient Nature of the Homeless Population.* While acknowledging that every expenditure must serve a public purpose and that the public might be limited to the population served by the granting agency, a public purpose could still be served even if only a very small number of Town residents are served. For example, any organization that helps the homeless population would be providing both a regional-wide and a Town-wide benefit by reducing the homeless population by providing meals. As homeless persons are often

transient, support for homeless persons would benefit the Town even if the homeless are only passing through.

- (5) *Housing.* State law requires that the Town's Housing Element include policies and scheduled programs for the preservation, improvement and development of housing (Gov't Code § 65583). In the area of housing, the Town is unable to offer programs to maintain existing homes, assist first-time homebuyers, build supportive or affordable housing, administer an affordable housing program, assist homeless individuals in the transition to stable housing, or provide housing for individuals undergoing drug and alcohol rehabilitation. Instead, the Town relies on nonprofit organizations for many of these programs and services.

In its 2009 Housing Element and its draft 2015 Housing Element, the Town has pledged to support two nonprofit organizations that preserve, improve or develop additional housing – HIP Housing Development Corporation and Rebuilding Together Peninsula. HIP Housing provides affordable housing programs to residents of San Mateo County, such as its Home Sharing Program for the elderly and its roommate referral program. Rebuilding Together Peninsula assists with maintenance and upgrading of existing housing stock so that people can remain in their homes safely. Rebuilding Together also offers a "Safe at Home" minor repair program that offers assistance to residents who can't afford minor home repairs.

Continued support of HIP Housing and Rebuilding Together Peninsula and their programs will help preserve, improve and develop housing in the Town. Therefore, continued support serves a valid public purpose.

- (6) *Temporary Food or Shelter for the Homeless.* The Town does not have shelter for homeless individuals and relies instead on Shelter Network to meet the needs of the homeless in Colma, of which there were seven, according to the 2013 San Mateo County Homeless census. The Town also works to meet the needs of its homeless residents by appropriate referrals to local homeless assistance programs available in San Mateo County, including North Peninsula Food Pantry and Dining Center of Daly City and the Second Harvest Food Bank (Draft 2015 Housing Element). Although not up to the level of a policy statement in the Town's Housing Element, support of these organizations and their programs is important because they assist Colma residents as well as the broader community with basic needs.

[History: Res 2014-07; 2/13/14, Res 2014-55; 12/10/14]

4.03.020 Criteria for Approving Grants

(a) *Rule.* The City Council shall not approve any expenditure that would constitute a gift of public funds. In determining whether a grant is a gift of public funds, the City Council must find that:

- (1) The expenditure will serve a public purpose; that is, that the expenditure will serve the Colma community at large;

- (2) For an expenditure that provides benefits to the public and private persons at the same time, there is a direct and substantial benefit to the public with only an incidental benefit to private persons; and
- (3) The services of the organization administering the grant are readily accessible to Colma residents or businesses.

(b) *Purposes.* The City Council may appropriate money from the General Fund for any of the following purposes:

- (1) When there is an identifiable benefit to the Town or the community at large;
- (2) When the recipient organization provides a service that complements or enhances a service that the Town of Colma also provides to its residents or businesses; or
- (3) When the recipient organization provides a service that the Town could provide to its residents or businesses but chooses not to.

(c) *Accessibility.* In determining whether a recipient organization's services are readily available to Colma residents or businesses, the City Council may consider:

- (1) The number of Colma residents or businesses served by the organization in the years prior to the grant application;
- (2) The location(s) where Colma residents or businesses may receive the recipient organization's services or programs; and
- (3) The nature and extent of the efforts of the recipient organization to reach out to Colma residents and businesses.

[History: Res 2014-55; 12/10/14]

(d) *Rough Proportionality.* The amount of each grant must be roughly proportional to the benefit provided by the organization to the Town or its residents and businesses.

[History: Res 2014-07; 2/13/14]

4.03.025 Funding Categories

Provided that the appropriation complies with subsection 4.03.020 (a) and is for at least one of the purposes in subsection 4.03.020(b), the City Council may appropriate funds for programs or projects that:

- (1) Provide shelter, food, or clothing to persons in need of those programs (Necessities of Life);
- (2) Provide physical or mental health services to persons with special needs (Integrated Care Services);

- (3) Educate and engage residents (Education);
- (4) Promote economic development or support businesses located or doing business in the Town (Economic Development); or
- (5) Provide a service that the Town could provide to its residents or businesses or support, complement or enhance a service or program that the Town of Colma provides to its residents or businesses (Complementary Services).

[History: Res 2014-55; 12/10/14]

4.03.030 Eligible Organizations; Rough Proportionality Required

(a) Grants may only be made to a governmental entity; an organization that is organized and operated exclusively for religious, charitable, literary, scientific, or educational purposes and is exempt from tax under Internal Revenue Code section 501(c)(3); or, a chamber of commerce that is exempt from tax under Internal Revenue Code section 501(c)(6).

(b) For an organization to be eligible:

- (1) The organization's mission must include providing a public benefit to the residents or businesses of a defined geographic area that encompasses the Town of Colma;
- (2) The organization's governing board must reflect the diverse composition and different perspectives of the community it serves, and its members must not be drawn solely from a single subset of the community; and
- (3) The organization must have policies and procedures to ensure that the terms and conditions of all grants are satisfied.

[History: Res 2014-07; 2/13/14]

4.03.040 Grant Limitations

(a) Grants cannot be used to fund existing obligations, debts or liabilities.

(b) Grants are made with the understanding that the Town has no obligation or commitment to provide any additional support to the grantee.

(c) Town funds should not be used to support national and regional charitable organizations; instead, they should be supported by individual and corporate donations.

(d) Requests for grants from religious organizations will be considered only if a general need is being met and the project does not promote the teachings of a particular church denomination.

(e) Grants may not be used for any political campaign or to support attempts to influence the legislature or any governmental body other than through making available the results of nonpartisan analysis, study and research.

(f) The grantee shall not discriminate on the basis of race, color, religion, gender, age, weight, height, sexual orientation, marital status, national origin, disability or other characteristic protected by law.

[History: Res 2014-07; 2/13/14]

4.03.050 Request for Determination of Eligibility for Grant Funding

(a) An applicant shall first submit a request for determination of eligibility for grant funding on a form prescribed by the City Manager, which shall state the following:

- (1) Organizational Information, preferably no longer than one page, summarizing the organization's history, mission, goals, current programs, and the population served;
- (2) A description of the population served by the organization;
- (3) Evidence that the organization's governing board reflects the diverse composition and different perspectives of the community it serves, and that its members are not drawn solely from a single subset of the community; and
- (4) Policies and procedures adopted by the organization to ensure that the terms and conditions of all grants are satisfied.

(b) The Request for Determination of Eligibility shall be accompanied by documentation of the organization's eligibility, i.e.:

- (1) An IRS letter of tax exemption under IRC sections 501(c)(3) for charitable organizations;
- (2) An IRS letter of tax exemption under IRC section 501(c)(6), for chambers of commerce; or
- (3) Articles of Incorporation, statutory reference, or similar documentation, for a governmental entity.

(c) The organization needs to file the foregoing information only once. Each year afterwards, the organization must verify that the information is still current and, if not, must update each item of new or changed information.

[History: Res 2014-07; 2/13/14]

4.03.060 Grant Applications

An application for a charitable donation shall be made on a form prescribed by the City Manager and shall state the following:

- (1) Program or project title;
- (2) Purpose of the grant (not more than two sentences);

- (3) Timeline for accomplishing the project or program;
 - (4) List of all previous requests to the Town within the previous five years;
 - (5) Summary of the program or project, including an action plan and timetable for implementation;
 - (6) A succinct statement of how the grant meets the criteria in section 4.04.020, and how the Colma community would benefit from this project;
 - (7) Identity of partners in the project and their roles;
 - (8) An evaluation plan that includes a description of how the applicant will define the success of the program or project;
 - (9) A detailed budget for the program or project.
- (b) Grant applications should be brief and to the point.
- (c) A charitable organization must attach one copy of each of the following documents to the application:
- (1) Roster of current governing board members;
 - (2) Annual operating budgets for the organization for the current year and the next year; and
 - (3) If the organization is operating at a deficit, an explanation of cause of the deficit and what the organization is doing to eliminate expected year-end deficits.

[History: Res 2014-07; 2/13/14]

4.03.070 Grant Application Timeline

- (a) On or before July 1 of each year, the City Council may include in its budget for the upcoming fiscal year a total amount that may be granted and donated to charitable organizations and governmental entities in accordance with this subchapter.
- (b) During the period from July 1 to August 1 of each year, any eligible charitable organization or governmental entity may submit an application to the Town for a grant. Thereafter, the City Clerk shall notify each applicant whether its application is complete and the date when the City Council will consider the application.
- (c) As soon thereafter as practical, the City Council shall consider all applications for grants. Approved grants will be disbursed approximately 30 days after approval of the grant by the City Council and execution of a Grant Agreement by the Grant Recipient.

[History: Res 2014-07; 2/13/14]

4.03.080 Grant Agreement

The Grant Recipient must execute a Grant Agreement with the Town before any funds may be paid. The Grant Agreement shall include a statement of the goal or purpose of the Grant, a time within which the goal is expected to be achieved, and reporting requirements.

[History: Res 2014-07; 2/13/14]

4.03.090 Grant Reports

(a) Within 90 days of completion of the program or project funded by a grant, the Grant Recipient shall file a brief report with the City Manager explaining:

- (1) The extent to which the Grant Recipient reached the goals and objectives for the program or project;
- (2) An evaluation of the program or project, including a description of the project or program's impact on the Town or its residents or businesses; and
- (3) An explanation of how the grant funds were spent.

(b) The City Manager may, in the Grant Agreement, require that the Grant Recipient file an Interim Report.

[History: Res 2014-07; 2/13/14]

4.03.100 Emergency or Disaster Relief

Notwithstanding anything to the contrary herein, the City Council may provide financial aid or assistance for:

- (1) the purpose of clearing debris, natural materials, and wreckage from privately owned lands and waters deposited thereon or therein during a period of a major disaster or emergency declared by the President, if found to be in the public interest;
- (2) disaster relief in connection with a national or local emergency created by military attack or sabotage;
- (3) providing adequate national or local defense;
- (4) responding to a local emergency, as defined in subdivision (c) of Government Code section 8558.

[Reference: CALIFORNIA CONSTITUTION, Article XVI, Section 6; GOVERNMENT CODE § 53021]

[History: Res 2014-07; 2/13/14]

4.03.110 Implementing Policies and Regulations

The City Manager is authorized and directed to establish procedures and regulations to implement this resolution.

[History: Res 2014-07; 2/13/14]