

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 28, 2016

NEW ISSUE—FULL BOOK ENTRY

RATING:
S&P: “ ”
See “RATINGS” herein

Interest with respect to the Certificates is includible in gross income of the owners thereof for federal income tax purposes. In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein for a more complete discussion.



\$ _____ *
CERTIFICATES OF PARTICIPATION
(2016 Refinancing Project—Taxable)
Evidencing Direct, Undivided Fractional Interests of
the Owners Thereof in Lease Payments to be Made by the
TOWN OF FAIRFAX
(Marin County, California)
As the Rental for Certain Property Pursuant to
a Lease Agreement with the Fairfax Financing Authority

Dated: Date of Delivery

Due: June 15, as set forth below

The \$ _____ * Certificates of Participation (2016 Refinancing Project—Taxable) (the “Certificates”), are being executed and delivered to provide funds to (a) refinance a portion of the unfunded actuarial accrued liability with respect to the obligation of the Town of Fairfax (the “Town”) to make certain payments to the California Public Employees’ Retirement System for both active and retired Safety employees and Miscellaneous employees of the District, and thereby realize interest savings, (b) purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Certificates, and (c) pay costs incurred in connection with executing and delivering the Certificates. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the Town to the Fairfax Financing Authority (the “Authority”) for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of December 1, 2016, by and between the Authority and the Town (the “Lease Agreement”). The Authority will assign its right to receive Lease Payments from the Town under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the Town thereunder to U.S. Bank National Association, San Francisco, California, as trustee (the “Trustee”), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each June 15 and December 15, commencing June 15, 2017. The Certificates will be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See “THE CERTIFICATES—Book-Entry-Only System” herein).

The Certificates are subject to redemption, as described herein.

The Town will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the Town of the Property or any portion thereof. The Town will covenant 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.

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE TOWN TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE TOWN OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION 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.

MATURITY SCHEDULE*

\$ _____ Serial Certificates

CUSIP Prefix: _____ †

Maturity (June 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP Suffix†	Maturity (June 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP Suffix†
-----------------------	---------------------	------------------	-------------------	------------------	-----------------------	---------------------	------------------	-------------------	------------------

\$ _____ % Term Certificates maturing June 15, _____; Price: _____ to Yield _____%—CUSIP†: _____

\$ _____ % Term Certificates maturing June 15, _____; Price: _____ to Yield _____%—CUSIP†: _____

The cover page contains certain information for general reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The following firm, serving as financial advisor to the Town, has structured this issue:

WULFE, HANSEN & CO.

ESTABLISHED 1931
INVESTMENT BANKERS

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, Larkspur, California, as Special Counsel. Certain matters will be passed upon for the Town by Quint & Thimmig LLP, Larkspur, as Disclosure Counsel. It is anticipated that the Certificates will be available for delivery through the facilities of DTC on or about December 20, 2016.

BRANDIS TALLMAN LLC

Dated: December __, 2016

*Preliminary, subject to change.

†Copyright 2016, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor’s. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the registered owners of the Certificates. Neither the Town nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

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

For purposes of compliance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the Town with respect to the Certificates that has been deemed “final” by the Town as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

The information set forth herein has been obtained from the Town and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Town. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Town Clerk for further information. See “INTRODUCTION—Other Information.”

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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT 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, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. 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. No assurance is given that actual results will meet the Town’s forecasts in any way. Neither the Town nor the Authority is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

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

_____ (the “Municipal Bond Insurer”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, the Municipal Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Municipal Bond Insurer supplied by the Municipal Bond Insurer and presented under the heading “MUNICIPAL BOND INSURANCE.”

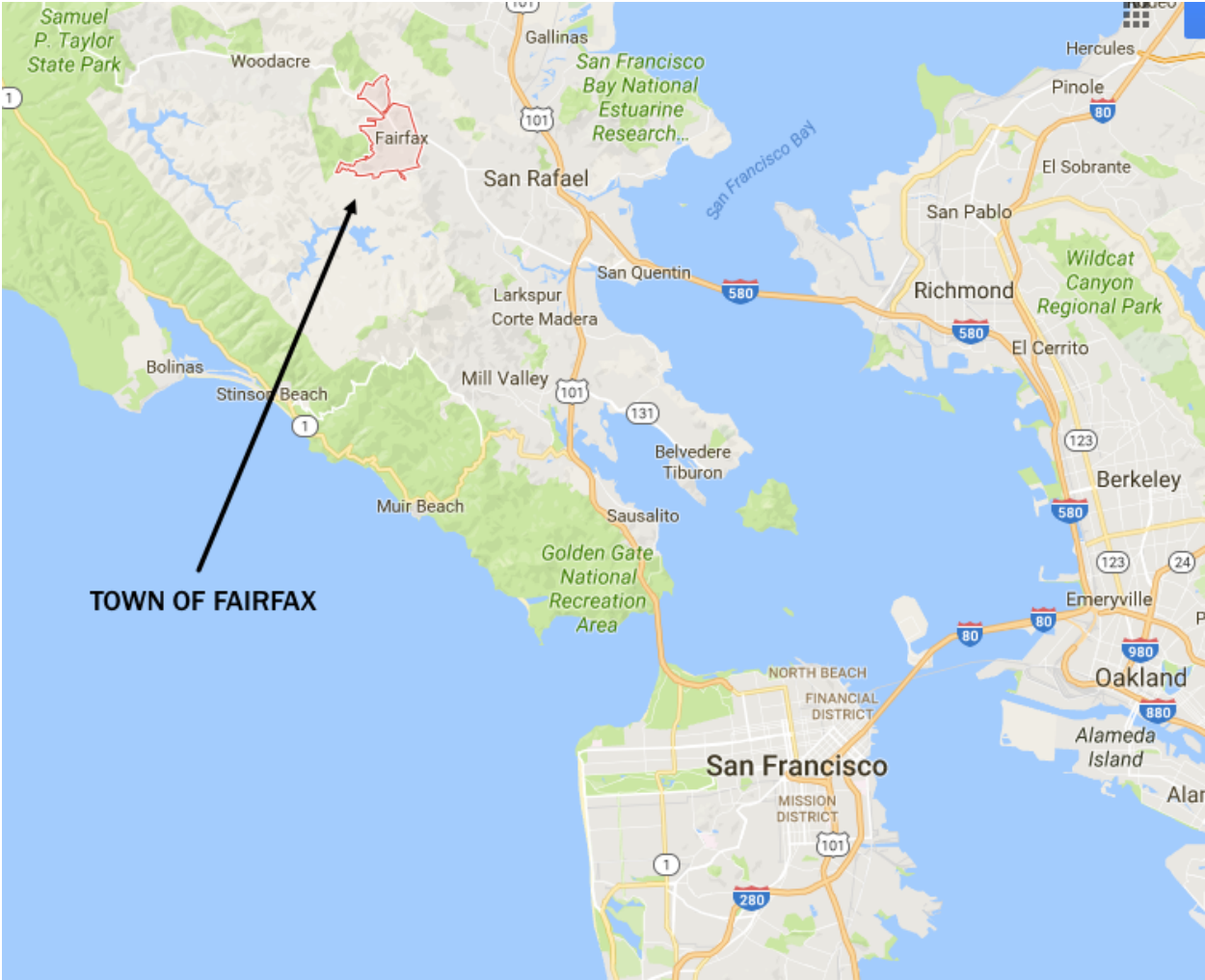
The Town maintains a website. Unless specifically indicated otherwise, the information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

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TOWN OF FAIRFAX LOCATION MAP



CITY OF FAIRFAX

142 Bolinas Road
Fairfax, CA 94930
(415) 453-1584
<http://www.town-of-fairfax.org>

TOWN COUNCIL

Renee Goddard, *Mayor*
John Reed, *Vice Mayor*
Barbara Coler, *Councilmember*
Peter Lacques, *Councilmember*
David Weinsoff, *Councilmember*

TOWN OFFICIALS

Garrett Toy, *Town Manager*
Michael Vivrette, *Finance Director*
Michele Gardner, *Town Clerk*

SPECIAL SERVICES

Special Counsel and Disclosure Counsel

Quint & Thimmig LLP
Larkspur, California

Municipal Advisor

Wulff, Hansen & Co.
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

§ _____ *

CERTIFICATES OF PARTICIPATION
(2016 Refinancing Project—Taxable)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
TOWN OF FAIRFAX
as the Rental for Certain Property pursuant to
a Lease Agreement with the Fairfax Financing Authority

INTRODUCTION

This introduction does not purport to be complete and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the captioned Certificates. Potential investors are encouraged to read this entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement and in APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.

General

This Official Statement, including the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of \$ _____* aggregate principal amount of Certificates of Participation (2016 Refinancing Project—Taxable) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2016 (the “Trust Agreement”), by and among the Town of Fairfax (the “Town”), the Fairfax Financing Authority (the “Authority”) and U.S. Bank National Association, as trustee (the “Trustee”).

The Town is a contracting member of the California Public Employees’ Retirement System (“PERS”) and, under its contract with PERS (the “PERS Contract”), the Town is obligated to make certain payments to PERS in respect of both active and retired safety and miscellaneous employees (the “PERS Obligations”). The proceeds of the sale of the Certificates will be used to (a) refinance a portion of the Town’s unfunded actuarial accrued liability with respect to the PERS Obligations, (b) purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Certificates, and (c) pay costs of the financing. See “PLAN OF FINANCING.”

The Town will lease the certain property (collectively, the “Property”) to the Authority pursuant to a Site and Facility Lease, dated as of December 1, 2016 (the “Site and Facility Lease”). The Authority will lease the Property back to the Town pursuant to a Lease Agreement, dated as of December 1, 2016 (the “Lease Agreement”). The Certificates are payable solely from and secured by certain lease payments (“Lease Payments”) to be made by the Town to the Authority pursuant to the Lease Agreement. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “THE PROPERTY.”

* Preliminary, subject to change.

Interest with respect to the Certificates is payable on June 15 and December 15 of each year, commencing June 15, 2017. The Certificates will mature in the amounts and on the dates and be payable at the interest rates shown on the cover of this Official Statement. See “THE CERTIFICATES.”

The Certificates will be delivered in fully registered form only, in the name of Cede & Co., as nominee of the Depository Trust Company (“DTC”). DTC will act as the depository for the Certificates and all payments due with respect to the Certificates will be made to Cede & Co. Ownership interests in the Certificates may be purchased only in book-entry form. See “THE CERTIFICATES—Book-Entry Only System” and APPENDIX F—DTC’S BOOK-ENTRY ONLY SYSTEM.

Source of Payment for the Certificates

The Certificates represent direct, undivided fractional interests of the Owners thereof in a portion of the Lease Payments (the “Lease Payments”) to be paid by the Town to the Authority pursuant to the Lease Agreement. The Lease Payments are calculated to be sufficient to permit the payment of the principal and interest with respect to the Certificates when due. The Lease Payments are payable by the Town from its General Fund for the right to use and possess the Property. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction or condemnation or eminent domain there is substantial interference with the use and occupancy by the Town of the Property or any portion thereof. The Town will covenant under the Lease Agreement to take such action as necessary to include the Lease Payments in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement). Pursuant to an Assignment Agreement, dated as of December 1, 2016 (the “Assignment Agreement”), by and between the Authority and the Trustee, the Authority will assign to the Trustee, for the benefit of the Owners of the Certificates, certain of its rights under the Lease Agreement, including its right to receive Lease Payments from the Town for the purpose of securing the payment of principal and interest with respect to the Certificates. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “RISK FACTORS.”

THE OBLIGATION OF THE TOWN TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT 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. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE TOWN TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE TOWN OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Reserve Policy

_____ (the “Municipal Bond Insurer”) has made a commitment to issue a municipal bond insurance policy for the Reserve Fund (the “Reserve Policy”) in an amount equal to the Reserve Requirement for the benefit of the Certificates. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Reserve Fund.”

The Town

The Town was incorporated in 1931 and is located in Marin County, California (the “County”), about 20 miles north of San Francisco. The Town is located 3.25 miles (5.2 km) west-northwest of the

City of San Rafael, at an elevation of 115 feet (35 m). The territory of the Town encompasses approximately 2.1 square miles.

See “THE TOWN,” “TOWN FINANCIAL INFORMATION” and APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE TOWN AND THE COUNTY.

The Authority

The Authority was formed under a Joint Exercise of Powers Agreement dated as of August 6, 2008, in accordance with the provisions of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Act”). See “THE AUTHORITY.”

Continuing Disclosure

The Town will covenant, pursuant to a continuing disclosure certificate (the “Continuing Disclosure Certificate”) to be executed on the date of delivery of the Certificates, for the benefit of owners and beneficial owners of the Certificates, to provide certain financial information and operating data related to the Town by not later than nine months after the end of the Town’s Fiscal Year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the Town with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and any notices of enumerated events is summarized below under the caption “CONTINUING DISCLOSURE.” The form of the Continuing Disclosure Certificate is set forth in APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The covenants of the Town in the Continuing Disclosure Certificate have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Summaries of Documents

This Official Statement contains descriptions of the Certificates, the Trust Agreement, the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors’ rights generally. Copies of the various documents described herein are available for inspection during business hours at the corporate trust office of the Trustee at One California Street, Suite 1000, San Francisco, CA 94111.

Other Information

This Official Statement speaks only as of its date as set forth on the cover hereof, the information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Town since the date hereof.

Unless otherwise expressly noted, all references to internet websites in this Official Statement, including without limitation, the Town’s website, are shown for reference and convenience only and none

of their content is incorporated herein by reference. The information contained within such websites has not been reviewed by the Town and the Town makes no representation regarding the accuracy or completeness of the information therein.

SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of the proceeds from the sale of the Certificates and other moneys:

Sources	
Par Amount of the Certificates	
Less: Original Issue Discount	
Total Sources	_____
	=====
 Uses	
Payment of PERS Obligations (1)	
Deposit to Delivery Costs Fund (2)	
Total Uses	_____
	=====

(1) See "PLAN OF FINANCING."

(2) Delivery Costs include the Underwriter's discount, fees and expenses of the municipal advisor, special counsel, disclosure counsel and the Trustee, printing expenses, rating fees, title insurance, the premium for the Reserve Policy and other costs relating to the Certificates.

PLAN OF FINANCING

The Certificates are being executed and delivered to provide funds to (a) refinance the PERS Obligations, (b) purchase the Reserve Policy, and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates.

A portion of the proceeds of the Certificates will be used to provide funds to allow the Town to refinance the PERS Obligations, being the Town's unfunded actuarial accrued liability to the PERS with respect to the Town's Safety and Miscellaneous Plans.

The PERS Contract represents the Town's contractual and statutory obligation to make payments to PERS on behalf of plan participants. Payments under the PERS Contract are an absolute and unconditional obligation imposed upon the Town and enforceable against the Town and are not limited as to payment from any special source of funds of the Town.

PERS maintains two pension plans for the Town: the Miscellaneous Plan and the Safety Plan. The Town contributes to PERS amounts equal to the recommended rates for the PERS Plans, multiplied by the payroll of those employees of the Town who are eligible under PERS.

An independent actuary, Bartel Associates, LLC ("Bartel") will certify that as of delivery of the Certificates, the PERS Obligations are at least equal to the aggregate principal amount of the Certificates. **The Town's obligations under the PERS Contract is, and the Town's obligations with respect to the Certificates upon issuance, including the obligation to make all Lease Payments when due, are obligations of the Town that are absolute and unconditional, without any right of set-off or counter-**

claim. The Certificates do not constitute an obligation of the Town for which the Town is obligated to levy or pledge any form of taxation. Neither the Certificates nor the obligation of the Town to make Lease Payments constitute an indebtedness of the Town, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "LIMITATION ON TAX REVENUES."

DEBT SERVICE SCHEDULE

The following table shows the scheduled semi-annual debt service for the Certificates:

Interest Payment Date	Principal	Interest	Total
6/15/17			
12/15/17			
6/15/18			
12/15/18			
6/15/19			
12/15/19			
6/15/20			
12/15/20			
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6/15/27			
12/15/27			
6/15/28			
12/15/28			
6/15/29			
12/15/29			
6/15/30			
12/15/30			
6/15/31			
12/15/31			
6/15/32			
12/15/32			
6/15/33			
12/15/33			
6/15/34			
12/15/34			
6/15/35			
12/15/35			
6/15/36			
12/15/36			
6/15/37			
TOTAL			

⁽¹⁾ Principal and interest payments with respect to the Certificates on each June 15 and December 15 are derived from Lease Payments made by the Town on the preceding June 1 and December 1.

THE PROPERTY

Pursuant to the Site and Facility Lease, the Town will lease the Property to the Authority. Pursuant to the Lease Agreement, the Authority will, in turn, lease the Property back to the Town. See APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SITE AND FACILITY LEASE and APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The Property consists of the following facilities plus the sites thereof:

Town Hall/Police Department, located at 142 Bolinas Road, Fairfax, CA. The Town Hall/Police Department {SHORT NARRATIVE DESCRIPTION TO COME}. The 2016 insured value of the Town Hall/Police Department is \$831,981, excluding land value.

Maintenance Shop, located at 142 Bolinas Road, Fairfax, CA. The Maintenance Shop {SHORT NARRATIVE DESCRIPTION TO COME}. The 2016 insured value of the Maintenance Shop is \$271,840, excluding land value.

Pavilion/Gymnasium, located at 142 Bolinas Road, Fairfax, CA. The Pavilion/Gymnasium {SHORT NARRATIVE DESCRIPTION TO COME}. The 2016 insured value of the Pavilion/Gymnasium is \$1,805,604, excluding land value.

Fire Station, located at 10 Park Road, Fairfax, CA. The Fire Station {SHORT NARRATIVE DESCRIPTION TO COME}. The 2016 insured value of the Fire Station is \$1,684,088, excluding land value.

For a description of certain terms of the Lease Agreement see “SOURCE OF PAYMENT FOR THE CERTIFICATES” and APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

Pursuant to the Lease Agreement, the Town may substitute the Property, in whole or in part, by other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see “SOURCE OF PAYMENT FOR THE CERTIFICATES—Substitution of Site or Facility” and APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The Town has not granted any security interest in the Property for the benefit of the Certificates and there is no remedy of foreclosure on the Property upon the occurrence of an Event of Default under the Lease Agreement. For a discussion of remedies upon an Event of Default under the Lease Agreement, see “RISK FACTORS—Limited Recourse on Lease Agreement Default” and “—Limitations on Remedies.”

THE CERTIFICATES

General

The Certificates will be executed and delivered in the aggregate principal amount and will mature on the dates, and interest with respect thereto will be payable at the rates per annum, as set forth on the inside cover of this Official Statement. The Certificates will be delivered in the form of fully registered Certificates without coupons in the denomination of \$5,000 or any integral multiple thereof. Interest with respect to the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on June 15 and December 15 of each year, commencing June 15, 2017 (each an “Interest Payment Date”), until maturity or earlier redemption thereof. The Certificates will be initially executed, delivered and registered in the name of “Cede & Co.” as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See “THE CERTIFICATES—Book-Entry Only System.”

Interest with respect to the Certificates will 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 such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., the close of business on the 1st day of the month preceding each Interest Payment Date, whether or not such 1st day is a Business Day) and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before June 1, 2017, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by 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. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Redemption

Optional Redemption. The Certificates maturing on June 15, 20___, are not subject to optional redemption prior to maturity. The Certificates maturing on and after June 15, 20___, are subject to optional redemption prior to maturity in whole or in part on any date in such order of maturity as shall be designated by the Town (or, if the Town shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, on or after June 15, 20___, at a redemption price equal to the princi-

pal amount of the Certificates to be redeemed, together with accrued interest, without premium, to the date fixed for redemption, from the proceeds of the optional prepayment of Lease Payments made by the Town pursuant to the Lease Agreement.

Sinking Fund Redemption. The Certificates maturing on June 15, _____, are subject to mandatory redemption in part on June 15 in each year on and after June 15, _____, to and including June 15, _____, from the principal components of scheduled Lease Payments required to be paid by the Town pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year</u> <u>(June 15)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>
---------------------------------	--

†Maturity.

The Certificates maturing on June 15, _____, are subject to mandatory redemption in part on June 15 in each year on and after June 15, _____, to and including June 15, _____, from the principal components of scheduled Lease Payments required to be paid by the Town pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year</u> <u>(June 15)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>
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†Maturity.

Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award. The Certificates are subject to extraordinary redemption in whole on any date or in part on any Interest Payment Date from the Net Proceeds of an insurance, title insurance, condemnation or eminent domain award relating to all or a portion of the Property, to the extent credited towards the prepayment of the Lease Payments, pro rata, by the Town pursuant to the Lease Agreement, in such order of maturity as shall be designated by the Town (or, if the Town shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, at a redemption price equal to the principal amount of the Certificates to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Selection of Certificates for Redemption. Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all of the Outstanding Certificates are to be redeemed, the

Trustee will select Certificates for redemption from the Outstanding Certificates not previously called for redemption in such order of maturity as will be designated by the Town (and, in lieu of such designation, *pro rata* among maturities) and by lot within a maturity. The Trustee will select Certificates for redemption within a maturity by lot in any manner which the Trustee will, in its sole discretion, deem appropriate. For purposes of such selection, Certificates will be deemed to be composed of \$5,000 portions and any such portion may be separately redeemed. The Trustee will promptly notify the Town in writing of the Certificates so selected for redemption. Selection by the Trustee of Certificates for redemption will be final and conclusive.

Notice of Redemption. Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption will be given by the Trustee on behalf and at the expense of the Town, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Registration Books or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice will affect the sufficiency of the proceedings for the redemption of the Certificates.

Notwithstanding the foregoing, in the case of any optional redemption of the Certificates, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Certificates on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Certificates have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Certificates to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Certificates for which notice of optional redemption was given shall remain Outstanding for all purposes of the Trust Agreement.

Effect of Redemption. If notice of redemption has been given as described above, the Certificates or portions of Certificates so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date, interest with respect to such Certificates or portions of Certificates will cease to be payable.

Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Transfer and Exchange of Certificates

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his or her attorney duly authorized in writing upon surrender of such Certificate for cancellation at the Principal Corporate Trust Office, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The Town shall pay any costs of the Trustee incurred in connection with such transfer, except that the Trustee may 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 Trustee shall not be required to transfer (i) any Certificates or portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificates selected for redemption.

Certificates may be exchanged, upon surrender thereof, at the Principal Corporate Trust Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. Whenever any Certificate or Certificates shall be surrendered for exchange, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The Town shall pay any costs of the Trustee incurred in connection with such exchange, except that 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 shall not be required to exchange (i) any Certificate or any portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificate selected for redemption.

Book-Entry Only System

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the Town or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX F—DTC'S BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the Town will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

SOURCE OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, undivided fractional interest in the Lease Payments. Pursuant to the Lease Agreement, the Town will lease the Property from the Authority and agree to make Lease Payments. See "THE PROPERTY." Upon satisfaction of certain conditions set forth in the Lease Agreement, the Town may substitute the Property with other properties or release a portion of the Property. See "Substitution or Release of Site or Facility" below.

As security for the Certificates, the Authority will assign to the Trustee for the payment of principal and interest with respect to the Certificates, the Authority's rights, title and interest in the Lease Agreement (with certain exceptions), including the right to receive Lease Payments to be made by the Town under the Lease Agreement and the right to enforce remedies in the event of a default by the Town. The Lease Payments are designed to be sufficient, in both time and amount, to pay when due, the principal and interest with respect to the Certificates. The Lease Payments are payable by the Town from any source of legally available funds.

THE OBLIGATION OF THE TOWN TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT 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. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE TOWN TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE TOWN OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Term of the Lease Agreement

The term of the Lease Agreement will begin on the date of delivery of the Certificates and will end on June 15, 2037. If, on June 15, 2037, the Trust Agreement is not discharged by its terms or if the Lease Payments or Additional Payments, if any, payable under the Lease Agreement shall have been abated at any time and for any reason, then the term of the Lease Agreement will be extended without the need to execute any amendment until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but the term of the Lease Agreement will not extend beyond June 15, 2047, unless, at such time the Town shall have provided for a Substitute Site and Substitute Facility, as permitted in the Lease Agreement, in which case the term of the Lease Agreement will extend to June 15, 2047. If, by virtue of any such abatement, the full amount of Lease Payments will not be paid prior to the date of an extension to June 15, 2047, the Town agrees in the Lease Agreement to use its best efforts to substitute the Property for a Substitute Site and a Substitute Facility, as described below under the heading "—Substitution or Release of Site or Facility." If, prior to June 15, 2037, the Trust Agreement shall be discharged by its terms, the term of the Lease Agreement shall thereupon end.

Lease Payments; Covenant to Appropriate

Pursuant to the Lease Agreement, the Town has agreed to make Lease Payments for the lease of the Property which are calculated to be sufficient to pay principal and interest due with respect to the Certificates. Lease Payments will be made by the Town to the Trustee on June 1 and December 1 in each

year, in advance of the corresponding June 15 and December 15 Interest Payment Dates. The Town will also pay as additional payments (“Additional Payments”), amounts required for the payment of all costs and expenses incurred by the Town to comply with the provisions of the Trust Agreement and the Lease Agreement or in connection with the execution and delivery of the Certificates. The Town has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments and Additional Payments in its annual budget and to make the necessary annual appropriations for all such payments. Under certain circumstances described under the Lease Agreement, however, Lease Payments are subject to abatement during periods of substantial interference with the Town’s use and occupancy of the Property or any portion thereof. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Abatement.”

Insurance

The Town is required to keep or cause to be kept casualty insurance against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, in an amount at least equal to one hundred percent (100%) of the replacement cost of the Property. Such 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. The Town is not required by the Lease Agreement to maintain earthquake coverage with respect to the Property, and the Town does not expect to purchase such coverage.

To insure against loss of rental income caused by perils mentioned above, the Town is required to maintain, or cause to be maintained throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property as a result of any of the hazards described above in an amount equal to two times the maximum annual Lease Payments.

Public liability and property damage insurance coverage is required 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 each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each 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 by the Town and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or 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 insurance proceeds shall have been paid.

The Town shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, a CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the Authority’s leasehold interest in the Property and the Town’s subleasehold estate in the Property, subject only to Permitted Encumbrances.

See APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Insurance.

Abatement

Pursuant to the Lease Agreement, Lease Payments are subject to abatement during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the Town of the Property or any portion thereof (other than certain portions of the Property which have been modified by the Town as described in the Lease Agreement) to the extent to be agreed upon by the Town and the Authority and communicated by a Town Representative to the Trustee. The parties agree that amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in an exhibit attached to the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the factors identified related to fair rental value as discussed in the Lease Agreement), based upon any appropriate method of valuation, in which event the Lease Payments will be abated such that they represent said fair rental value. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a Town Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the Town waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Lease Agreement to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance,” APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Insurance and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Abatement of Lease Payments in the Event of Damage or Destruction.

Pursuant to the Lease Agreement, if all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if all of the Property 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 will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, 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 under the Lease Agreement, in an amount to be agreed upon by the Town and the Authority and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds. The Net Proceeds of such eminent domain award are required to be applied to the redemption of Certificates as provided in the Lease Agreement and the Trust Agreement.

Reserve Fund

The Trust Agreement provides that the Trustee will establish and maintain a reserve fund (the “Reserve Fund”). Pursuant to the Trust Agreement, immediately after the execution and delivery of the Certificates, the amount deposited in the Reserve Fund will equal the “Reserve Requirement.” Except as otherwise expressly provided in the Trust Agreement, all money in the Reserve Fund will be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the Town. “Reserve Requirement” means an amount equal to \$_____ on the Closing Date. The amount of the Reserve Re-

quirement shall not be reduced unless the Certificates are partially refunded, in which such amount shall be reduced to an amount equal to the maximum annual Lease Payments relating to the Certificates not so refunded.

On the date of delivery of the Certificates, in lieu of a cash deposit to the Reserve Fund, the Municipal Bond Insurer will issue the Reserve Policy, in an amount equal to the initial “Reserve Requirement.”

Optional Prepayment

Pursuant to the Lease Agreement, the Town has an option to prepay the principal components of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, together with the premium set forth for the redemption of Certificates. See “THE CERTIFICATES—Redemption—Optional Redemption.”

Said option may be exercised with respect to Lease Payments due on and after June 1, _____, in whole or in part on any date, commencing June 1, _____. In the event of prepayment in part, the partial prepayment will be applied against Lease Payments in such order of payment date as will be selected by the Town. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the Town to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Authority in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Mandatory Prepayment from Net Proceeds of Insurance, Title Insurance or Eminent Domain

The Town will be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose pursuant to the Lease Agreement and the Trust Agreement. The Town and the Authority agree that such Net Proceeds will be applied first to the payment of any delinquent Lease Payments, and thereafter will be credited towards the Town’s obligations under the mandatory prepayment provisions of the Lease Agreement. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the Town to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. See “THE CERTIFICATES—Redemption—Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award.”

Substitution of Site or Facility; Release of Site

Substitution of Site or Facility. The Town shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a “Substitute Site”) and/or a substitute facility (a “Substitute Facility”) for the Site (the “Former Site”), or a portion thereof, and/or the Facility (the “Former Facility”), or a portion thereof, provided that the Town shall satisfy all of the following requirements (to the extent applicable) which are declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the Town shall file with the Authority, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the Town shall file with the Authority, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the Town shall file with the Authority, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the Town shall file with the Authority, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The Town shall certify in writing to the Authority, the Trustee and the Municipal Bond Insurer that such Substitute Site and/or Substitute Facility serve the purposes of the Town, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the Town is permitted to lease under the laws of the State;

(vi) The Town delivers to the Authority, the Trustee and the Municipal Bond Insurer an Officer's Certificate of the Town based on insurance values or any other reasonable basis of valuation received by the Town (which need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to Section 11.03 of the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the Town to violate any of its covenants, representations and warranties made herein and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee;

(viii) The Town shall obtain an amendment to the title insurance policy required by the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The Town shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the Town;

(x) The Town shall furnish the Authority, the Trustee and the Municipal Bond Insurer with a written opinion of Special Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes; and

(xi) The Municipal Bond Insurer shall provide prior written consent to such substitution.

Release of Site. The Town shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the Town shall satisfy all of the following requirements which are declared to be conditions precedent to such release:

(i) The Town shall file with the Authority, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The Town shall file with the Authority, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which describes the Site, as revised by such release;

(iii) The Town delivers to the Authority, the Trustee and the Municipal Bond Insurer an Officer's Certificate of the Town based on insurance values or any other reasonable basis of valuation received by the Town (which need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Authority that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iv) Such release shall not cause the Town to violate any of its covenants, representations and warranties made herein and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee;

(v) The Town shall obtain an amendment to the title insurance policy required by the Lease Agreement which describes the Site, as revised by such release;

(vi) The Town shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the Town; and

(vii) The Municipal Bond Insurer shall provide prior written consent to such release.

Release of Facility. The Town shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Facility, provided that the Town shall satisfy all of the following requirements which are declared to be conditions precedent to such release:

(i) The Town shall file with the Authority, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which describes the Facility, as revised by such release;

(ii) The Town shall file with the Authority, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which describes the Facility, as revised by such release;

(iii) The Town delivers to the Authority, the Trustee and the Municipal Bond Insurer an Officer's Certificate of the Town based on insurance values or any other reasonable basis of valuation received by the Town (which need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Authority that the indemnification provided pursuant to the Trust Agreement applies with respect to the Facility, as revised by such release;

(iv) Such release shall not cause the Town to violate any of its covenants, representations and warranties made herein and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee;

(v) The Town shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the Town or the Authority; and

(vi) The Municipal Bond Insurer shall provide prior written consent to such release.

Generally. The Authority and the Town may at any time amend or modify any of the provisions of the Lease Agreement, but only (i) with the prior written consent of the Municipal Bond Insurer, or if the Municipal Bond Insurer is in breach of its obligation under the Municipal Bond Insurance Policy or the Reserve Policy, the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (ii) without the consent of any of the Owners, but with the prior written consent of the Municipal Bond Insurer, but only if such amendment or modification is for any one or more of the following purposes:

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

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Authority and the Town may deem necessary or desirable, provided that, in the opinion of Special Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Special Counsel.

Amendment of Lease Agreement

The Authority and the Town may, at any time, amend or modify any of the provisions of the Lease Agreement, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (b) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

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

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Authority and the Town may deem necessary or desirable, provided that, in the opinion of Special Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Special Counsel.

Events of Default and Remedies

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

(a) Failure by the Town to pay any Lease Payment or other payment required to be paid thereunder at the time specified in the Lease Agreement.

(b) Failure by the Town to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement or under the Trust Agreement, other than as referred to in clause (a) above, 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 Authority, 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 can be corrected, but not within the applicable period, the Authority, 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.

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

Remedies. Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement 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 in the Lease Agreement to be kept and performed by the Town is expressly made a condition and upon the breach thereof, the Authority may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Authority, the Town shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions contained in the Lease Agreement and, in any event such rent and/or damages shall be payable to the Authority at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Authority does not elect to terminate the Lease Agreement in the manner hereinafter 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 contained in the Lease Agreement and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Property, or, in the event the Authority is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Authority. The Town irrevocably appoints the Authority as the agent and attorney-in-fact of the Town to enter upon and re-lease the Property in the event of default by the Town in the performance of any covenants contained in the Lease Agreement to be performed by the Town and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within the County, for the account of and at the expense of the Town, and the Town exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The Town waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the Town that may be in or upon the Property. The Town agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the Town the right to terminate the Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in paragraph (b) below.

(b) In an Event of Default, the Authority at its option may terminate the Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of the Lease Agreement by the Authority at its option and in the manner hereinafter provided on account of default by the Town (and notwithstanding any re-entry upon the Property by the Authority in any manner whatsoever or the re-leasing of the Property), the Town nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Authority from such re-leasing shall be credited towards the Lease Payments next coming due and payable. 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 Authority shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the Town shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the Town of the election on the part of the Authority to terminate the Lease Agreement. The Town covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

RESERVE FUND INSURANCE

[TO COME]

THE TOWN

The Town was incorporated in 1931 and is located in the County, about 20 miles north of San Francisco. The Town is located 3.25 miles (5.2 km) west- northwest of the City of San Rafael, at an elevation of 115 feet (35 m). The territory of the Town encompasses approximately 2.1 square miles.

The Town is renowned for its desirable residential neighborhoods and its proximity to the Marin headlands and outdoor activities available in the Golden Gate National Recreation Area.

The Town is a general law city and operates under a council-manager form of government. The Town Council consists of five members elected at large for alternating four-year terms. Each December, the Town Council selects a new mayor and vice mayor, following their policy of rotating the positions every year among the Council members. At its December 2, 2015, meeting, the Council selected Renee Goddard as Mayor, and John Reed as Vice Mayor, each for a one-year term.

The Town Manager is appointed by the Town Council and carries out the policies enacted by the Town Council and is responsible for the day-to-day operation of the Town government. Specific duties include preparing an annual budget for the Town Council and managing all the Town functions which include police, public works, planning, building inspection, code enforcement, and parks and recreation programming.

Members of the Council and key administrative personnel of the Town are listed at the front of this Official Statement.

See APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE TOWN AND THE COUNTY for a general description of the Town and the County as well as certain demographic and statistical information.

TOWN FINANCIAL INFORMATION

Financial Statements

The Town's accounting policies conform to generally accepted accounting principles. The audited financial statements also conform to the principles and standards for public financial reporting established by the Governmental Accounting Standards Board.

Basis of Accounting and Financial Statement Presentation. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes

are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Audited Financial Statements. The Town retained the firm of Maze & Associates, Pleasant Hill, California (the “Town’s Auditor”), to examine the general purpose financial statements of the Town as of and for the year ended June 30, 2015. The audited financial statements for fiscal year ended June 30, 2015, are included in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE YEAR ENDED JUNE 30, 2015. *The Town has not requested, and the Town’s Auditor has not provided, any review or update of such financial statements in connection with their inclusion in this Official Statement.*

Budgetary Process

The Town 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). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the Town Council.

A comprehensive mid-year budget review is done to update revenue and expenditure projections. In addition, the Town Council receives quarterly budget updates. The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Town Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the Town’s operating budget is the program area within each fund, and for the capital improvement budget it is each individual capital improvement project within each fund. For the operating budget, the Town Manager has the authority to move appropriations between accounts (without dollar limitation) within a budget program and within the same fund as long as the transfers are within the same program area. For the capital improvement program, the Town Manager has the authority to transfer appropriations (with no dollar limitation) between capital projects within the same fund. Appropriation increases, decreases or transfers between funds require the approval of the Town Council.

All appropriations lapse at the end of the fiscal year unless specific carryovers are approved by the Town Council.

Certain of the Town’s revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on Town finances. See “STATE BUDGET INFORMATION.”

Town Financial Management Policies

The Town Council has adopted financial management policies including: (1) a general finance and budget policy; (2) an investment policy to ensure the prudent investment of Town funds; and (3) a

post-issuance compliance policy. The Town's fiscal policies are reviewed at least annually, and are adopted or reaffirmed in conjunction with approval of the budget.

Reserves. The Town has adopted a fund balance reserve policy establishing a minimum fund balance equal to 20% of the fund's annual operating revenue budget for the purpose of stabilizing the delivery of Town services during periods of operational budget deficits. At a minimum, the reserves include the following: Contingency Reserve of 10% to mitigate the effects of economic uncertainties, local disasters, and/or severe financial hardships resulting from unforeseen changes in operating results; and, an Emergency Reserve of 10% to mitigate all unforeseen events not covered in the Contingency Reserve.

Investment Policy. The investment of funds of the Town (except pension and retirement funds) is made in accordance with the Town's Investment Policy, most recently approved June 2, 2015 (the "Investment Policy"), prepared by the Finance Director and the Town Treasurer as authorized by section 53601 of the Government Code of California. The Investment Policy is submitted to the Town Council annually. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years.

For more information about the Town's investment policy, see APPENDIX C—TOWN INVESTMENT POLICY.

Reliance on State Budget

Approximately ___% of the Town's General Fund revenues for fiscal year 2015-16 consisted of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law. Approximately ___% of the Town's General Fund revenues for fiscal year 2016-17 are expected to come from such sources. There can be no assurance that future State budget difficulties will not adversely affect the Town's revenues or its ability to make payments under the Lease Agreement. See "STATE BUDGET INFORMATION."

General Fund Revenues, Expenditures, and Changes in Fund Balances

The following table shows the Town's audited actual results for General Fund revenues and expenditures for the past four fiscal years and the Town's adopted budget for fiscal year 2016-17.

TOWN OF FAIRFAX General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

	Fiscal Year				
	2012-13 Audited	2013-14 Audited	2014-15 Audited	2015-16 Unaudited Actuals	2016-17 Budget
REVENUES					
Property taxes	3,439,647	3,801,180	3,886,305		
Special assessments	588,908	596,373	370,215		
Sales taxes	992,590	1,093,028	1,103,075		
Permits, licenses and fees	454,632	583,090	545,099		
Fines, forfeitures and penalties	66,744	102,153	131,086		
From other agencies	657,543	674,333	759,154		
Motor vehicle in-lieu fees	3,191	2,239	-		
Franchise fees	374,503	352,370	347,214		
Service charges	55,037	186,762	70,765		
Use of money and property	32,211	33,661	30,829		
Other revenue	51,139	37,715	39,909		
Total Revenues	6,716,145	7,462,904	7,283,651		
EXPENDITURES					
Current:					
General government	1,204,408	1,344,195	1,495,530		
Public safety	4,467,878	4,664,196	4,562,909		
Public works	468,534	519,646	468,877		
Planning and building	515,503	581,496	576,668		
Parks and recreation	273,886	271,235	268,907		
Capital outlay	57,317	133,665	100,570		
Debt service - Principal	77,378	84,670	71,813		
Debt service - Interest	2,701	6,078	8,309		
Total Expenditures	7,067,605	7,605,181	7,553,583		
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(351,460)	(142,277)	(269,932)		
OTHER FINANCING SOURCES/(USES)					
Capital lease financing	43,241	110,643	-		
Transfers in	560,589	565,516	589,522		
Transfers out	(238,740)	(294,166)	(301,942)		
Total Other Financing Sources	365,090	381,993	287,610		
NET CHANGE IN FUND BALANCES	13,630	239,716	17,678		
FUND BALANCES - BEGINNING OF YEAR	1,673,542	1,687,172	1,926,888		
FUND BALANCES - END OF YEAR	1,687,172	1,926,888	1,944,566		

Source: Town of Fairfax 2012-13 through 2014-15 audited financial statements and Town of Fairfax Finance Department.

General Fund Balance Sheet

The following table shows the Town's audited actual General Fund balance sheet for the past five fiscal years.

	Fiscal Year				2015-16 Unaudited Actuals
	2011-12 Audited	2012-13 Audited	2013-14 Audited	2014-15 Audited	
ASSETS					
Cash and investments	1,733,564	1,600,716	1,973,412	2,005,940	
Accounts receivable	192,954	260,743	276,402	296,257	
Taxes receivable	4,953	29,115	81,346	59,066	
Interest receivable	811	759	873	1,668	
Due from other funds	76,271	239,381	-	-	
Prepays	-	147,501	67,626	375	
Total Assets	2,008,553	2,278,215	2,399,659	2,363,306	
LIABILITIES					
Accounts payable	66,389	348,132	289,780	160,877	
Accrued payroll	162,894	80,401	168,574	245,922	
Deposits payable	105,233	115,827	14,417	11,941	
Unearned revenue	495	46,683	-	-	
Total Liabilities	335,011	591,043	472,771	418,740	
FUND BALANCES					
Non-spendable	-	147,501	-	375	
Restricted	-	-	-	-	
Committed	-	-	-	-	
Assigned	-	-	-	-	
Unassigned	1,673,542	1,539,671	1,926,888	1,944,191	
Total Fund Balances	1,673,542	1,687,172	1,926,888	1,944,566	
Total Liabilities and Fund Balances	2,008,553	2,278,215	2,399,659	2,363,306	

Source: Town of Fairfax 2011-12 through 2014-15 audited financial statements and Town of Fairfax Finance Department.

Property Taxes

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and may be lower than its own market value. Likewise, changes in ownership of

property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership.

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Local agencies and schools will share the growth of “base” sources from the tax rate area. Each year’s growth allocation becomes part of each local agency’s allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

For assessment and tax collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as “utility” property.

Property taxes on the secured roll are due in two installments, on November 1 and April 15 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of one and one-half percent per month attaches to such taxes on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county clerk and county recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent taxpayer.

Teeter Plan. The Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”) has been adopted by 53 of the 58 counties, including the County, as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in a county receives the amount of

uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. However, although a local agency receives the total levy for its property taxes without regard to actual collections, to the extent of a reserve established and held by its county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency. The Teeter Plan is to remain in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the county, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. The board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in its county. Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the Town meets the Teeter Plan requirements, the Town will receive 100% of the annual installments levied without regard to actual collections in the Town. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures. The Town is not aware of any petitions for the discontinuance of the Teeter Plan in the County.

Assessed Valuations

The assessed valuation of property in the Town is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. General ad valorem property tax levy are based upon the assessed valuation of the parcels of taxable property in the Town. Property taxes allocated to the Town are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both Town and county taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.

The table below shows the assessed valuation in the Town for the past five fiscal years.

TOWN OF FAIRFAX Assessed Valuations

Fiscal Year	Local Secured	Utility	Unsecured	Total Assessed Valuation
2012-13	\$ 1,077,443,432	\$ -	\$ 6,943,421	\$ 1,084,386,853
2013-14	1,118,625,260	-	9,838,835	1,128,464,095
2014-15	1,182,314,365	-	10,126,945	1,192,441,310
2015-16		-		
2016-17		-		

Source: California Municipal Statistics, Inc.

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the Town’s control, such as a general

market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

Risk of Decline in Property Values. Property values could be reduced by factors beyond the Town's control, including earthquake, tsunami and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by owner-

ship or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the Town in the future.

The following table shows the land use of parcels in the Town, according to assessed valuation. As shown, the majority of land in the Town is used for residential purposes.

TOWN OF FAIRFAX
Assessed Valuation and Parcels by Land Use
Fiscal Year 2016-17

	2016-17 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Commercial/Office				
Vacant Commercial				
Industrial				
Vacant Industrial				
Government/Social/Institutional				
Miscellaneous				
Subtotal Non-Residential				
<u>Residential:</u>				
Single Family Residence				
Condominium				
Mobile Home				
Mobile Home Park				
2+ Residential Units/Apartments				
Vacant Residential				
Subtotal Residential				
Total				

Source: California Municipal Statistics, Inc.

(1) Local Secured Assessed Valuation, excluding tax-exempt property.

The following table focuses on single-family residential properties only, which comprise approximately _____% of the assessed value of taxable property in the Town. The average assessed value per parcel is \$_____.

**TOWN OF FAIRFAX
Per Parcel Fiscal Year 2016-17
Assessed Valuation of Single Family Homes**

Single Family Residential	No. of Parcels	2016-17 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation		
2016-17 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999						
\$50,000 - \$99,999						
\$100,000 - \$149,999						
\$150,000 - \$199,999						
\$200,000 - \$249,999						
\$250,000 - \$299,999						
\$300,000 - \$349,999						
\$350,000 - \$399,999						
\$400,000 - \$449,999						
\$450,000 - \$499,999						
\$500,000 - \$549,999						
\$550,000 - \$599,999						
\$600,000 - \$649,999						
\$650,000 - \$699,999						
\$700,000 - \$749,999						
\$750,000 - \$799,999						
\$800,000 - \$849,999						
\$850,000 - \$899,999						
\$900,000 - \$949,999						
\$950,000 - \$999,999						
\$1,000,000 and greater						
Total	_____	_____	_____	_____	_____	_____

Source: California Municipal Statistics, Inc.

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

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.

The following table reflects the historical secured tax levy and year-end delinquencies of the Town for the five most recent fiscal years.

**TOWN OF FAIRFAX
Secured Tax Charge and Delinquency**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Del. June 30 ⁽²⁾	Percent Del. June 30
2011-12	\$ 485,049	\$ -	-
2012-13	480,914	-	-
2013-14	495,183	-	-
2014-15	456,024	-	-
2015-16			

Source: California Municipal Statistics, Inc.

(1) General obligation bond debt service levy.

(2) The Town has adopted the Teeter Plan and receives 100% of the annual installments levied without regard to actual collections.

The following table sets forth the principal secured property taxpayers in the Town as of fiscal year 2015-16, the most current information available. The top 20 taxpayers represent _____% of the total assessed value in the Town.

**TOWN OF FAIRFAX
Largest Local Secured Property Tax Payers
Fiscal Year 2016-17**

Property Owner	Primary Land Use	2016-17 Assessed Valuation	% of Total ⁽¹⁾
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			
Total Top 20		_____	_____

Source: California Municipal Statistics, Inc.

(1) 2016-17 Local Secured Assessed Valuation: \$ _____.

Motor Vehicle In-Lieu Tax. Vehicle license fees are assessed in the amount of 2% of a vehicle’s depreciation market value for the privilege of operating a vehicle on California’s public highways. A program to offset (or reduce) a portion of the vehicle license fees (“VLF”) paid by vehicle owners was established by Chapter 322, Statutes of 1998. Beginning January 1, 1999, a permanent offset of 25% of the VLF paid by vehicle owners became operative. Various pieces of legislation increased the amount of the offset in subsequent years to the existing statutory level of 67.5% of 2% (resulting in the current effective rate of 0.65%). This level of offset was estimated to provide tax relief of \$3.95 billion Statewide in the fiscal year 2003-04.

Beginning in fiscal year 2004-05, the State-local agreement permanently reduced the VLF rate to 0.65% and replaced the backfill with a like amount of property taxes. Subsequent to fiscal year 2004-05, each Town’s “property tax in-lieu of VLF” increased proportionally to increases in such city’s assessed valuation. However, in fiscal years 2004-05 and 2005-06, the State “shifted” \$700 million in city and county taxes to the State’s General Fund.

The following table sets forth the Motor Vehicle License Fees and Property Tax In-Lieu of VLF received by the Town for the last five fiscal years.

TOWN OF FAIRFAX
Property Tax In-Lieu of VLF

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Motor Vehicle License Fees					
Property Tax In-Lieu of VLF					
Total					

Source: Town of Fairfax Finance Department.

Senate Bill 89 was signed into law as part of the State’s Fiscal Year 2011-12 Budget Act. SB 89 increases VLF by \$12 billion. As a result of SB 89, \$300 million is transferred to a new Local Law Enforcement Services Account (“LLESA”) to fund law enforcement grants. In addition, beginning July 1, 2011, SB 89 transfers the remaining VLF revenue previously allocated to cities to the LLESA. Instead of cities receiving \$130 million in VLF revenues, under SB 89 they would receive only \$75 million in earmarked grants. This has the effect of reducing the Town’s revenues by \$_____ in FY 11-12. The Town considers this revenue loss to be permanent.

Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The Town has not reviewed this table for completeness or accuracy and makes no representations in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Town in whole or in part. Such long-term obligations generally are not payable from revenues of the Town (except as indicated) nor are they necessarily obligations secured by land within the Town. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of October 1, 2016, and whose territory overlaps the Town in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the Town. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the Town.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
As of October 1, 2016**

TOWN OF FAIRFAX

Source: California Municipal Statistics, Inc.

- (1) 2015-16 ratios.
- (2) Excludes issue to be sold.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Other Sources of General Fund Revenues

Sales Taxes. A sales tax is imposed on the privilege of consuming personal property in California. California does not tax services. The tax rate is established by the State Legislature and is presently 7.50% (after the passage of Proposition 30). In addition, many of California's cities, counties, towns and communities have special taxing jurisdiction to impose a transaction (sales) or use tax. These so-called district taxes increase the tax rate in a particular area by adding the local option tax to the statewide tax. These district taxes can vary up to 1%, and more than one district tax may be in effect for a particular location. The Town's share of sales tax is approximately 1% of the total Town sales tax rate of ____%.

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.

On March 2, 2004, voters approved a statewide bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of \$15 billion of Economic Recovery Bonds to finance ongoing State budget deficits, which are payable from a fund established by the redirection of tax revenues known as the "Triple Flip." The State issued \$11.3 billion of Economic Recovery Bonds prior to June 30, 2004, and the remainder of the authority in 2008. Under the "Triple Flip," one-quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdiction is being redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, State legislation provides for certain property taxes to be redirected to local government. See "STATE BUDGET INFORMATION."

The following table shows the Town’s general fund sales tax revenues for the past five fiscal years.

**TOWN OF FAIRFAX
General Fund Sales Tax Revenues
(Dollars in Millions)**

Fiscal Year	Sales Tax Revenues
2011-12	580,644
2012-13	992,590
2013-14	1,093,028
2014-15	1,103,075
2015-16	

Source: Town of Fairfax Finance Department.

Note: Amounts may differ from audited results in the Town’s audited financial statements due to closing adjustments, accruals and rounding.

The following table shows the Town’s General Fund tax revenues by source for the most recent five fiscal years:

**TOWN OF FAIRFAX
Estimated General Fund Tax Revenues by Source
(Dollars in Millions)**

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Property Tax	3,472,502	3,439,647	3,801,180	3,886,305	
Special Assessments	608,781	588,908	596,373	370,215	
Sales Taxes	580,644	992,590	1,093,028	1,103,075	
Total Tax Revenues	4,661,927	5,021,145	5,490,581	5,359,595	

Source: Town of Fairfax Finance Department.

Note: 2015-16 data is unaudited.

In addition, the Town receives the following General Fund revenues:

Permits, Licenses and Fees. The Town charges certain permits, licenses and fees for the cost recovery of providing current planning, building inspection, recreation and other municipal services. These revenues are seasonal and highly elastic in conjunction with the Town’s economic climate.

Fines, Forfeitures and Penalties. These revenues include parking citations and other fines for municipal code violations.

Franchise Fees. The Town charges fees to businesses operating in the Town.

Service Charges. The Town charges fees for plan checking, building inspection and a variety of other municipal services.

The following table illustrates other revenue sources for the most recent five fiscal years:

**TOWN OF FAIRFAX
Other Revenue Sources
(Dollars in Millions)**

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Permits, Licenses and Fees	564,530	454,632	583,090	545,099	
Fines, Forfeitures and Penalties	60,690	66,744	102,153	131,086	
Revenue from Other Agencies	604,207	657,543	674,333	759,154	
Motor Vehicle In-Lieu Fees	10,166	3,191	2,239	-	
Franchise Fees	362,963	374,503	352,370	347,214	
Services Charges	56,868	55,037	186,762	70,765	
Use of Money and Property	34,812	32,211	33,661	30,829	
Other Revenues	59,043	51,139	37,715	39,909	
TOTAL OTHER REVENUE SOURCES	1,753,279	1,695,000	1,972,323	1,924,056	

Source: Town of Fairfax Finance Department.

OTHER FINANCIAL INFORMATION

Labor Relations

Currently ___ permanent City employees are covered by negotiated agreements.

**CITY OF FAIRFAX
Negotiated Employee Agreements**

Bargaining Unit	Contract Expiration Date	Number of Employees
Total		_____

Source: Town of Fairfax

(1) Currently in negotiation.

Risk Management

Risk Pool. The Town is a participant in the Bay Cities Joint Powers Insurance Authority (“BCJPIA”), which covers general liability claims in an amount up to \$1,000,000. The Town has a deductible or uninsured liability of up to \$50,000 per claim. Once the Town’s deductible is met, BCJPIA becomes responsible for payment of all claims up to the limit. Other coverage includes excess insurance for claims over \$1,000,000.

The Town also participates in the BCJPIA for worker’s compensation insurance. BCJPIA participates in the Local Agency Worker’s Compensation Excess Insurance Joint Powers Authority’s (“LAWCX”) risk pool which in turn purchases coverage above \$1,000,000. The Town has a deductible

or uninsured liability of up to \$150,000 per claim. BCJPIA pool covers claims from \$150,000 to \$1,000,000. Claims from \$1,000,000 up to statutory are covered by LAWCX. Once the Town's deductible is met, then BCJPIA becomes responsible for payment of all claims up to the limit.

Each risk pool is governed by a board consisting of representatives from member municipalities. The board controls the operations of each risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. The Town's contributions to each risk pool equal the ratio of the Town's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

See APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE YEAR ENDED JUNE 30, 2015—Notes to Basic Financial Statements—NOTE 9.

Joint Ventures

The Town participates in several active joint ventures through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements (“JPAs”), including selection of management and approval of operating budgets, independent of any influence by each member beyond representation on each Board. Obligations and liabilities of these joint ventures are not the Town's responsibility, and the Town does not have an equity interest in the assets of each joint venture except upon dissolution.

Ross Valley Fire Service (the “Fire Service”). The Fire Service was established under a 1982 Joint Exercise of Powers Agreement between the Town and the Town of San Anselmo for the purpose of providing fire protection, emergency medical, and related services within the Town and San Anselmo area. Members of the Fire Service pay their pro-rata share of the total annual contributions.

Ross Valley Paramedic Authority (the “Authority”). The Authority is a JPA formed on December 14, 1982, by the Town, the Town of Corte Madera, the Kentfield Fire Protection District, the Town of Larkspur, Marin County, the Town of Ross, the Town of San Anselmo, and the Sleepy Hollow Fire Protection District for the purpose of providing paramedic services. The Authority is controlled by an eight-member board consisting of a member from each entity. Services are provided by the County of Marin Fire District to the Authority. The Authority's operations are financed by its members, through property taxes on each residential unit and commercial property.

Marin County Cable Rate Regulation Authority (the “Cable Authority”). The Cable Authority was established as a JPA between the Town, the town of Ross, the town of San Anselmo, the town of Tiburon, the town of Corte Madera, and the cities of Larkspur, Mill Valley, Sausalito, San Rafael, and Belvedere, and Marin County. The Cable Authority provides for the regulation of rates for certain cable television services and equipment pursuant to the Cable Television Consumer Protection and Competition Act of 1992. The financial responsibility of each member is based on the number of cable television subscribers.

Marin General Services Authority (the “MGSA”). The MGSA was established on April 26, 2005, to replace the Marin Street Light Acquisition Authority. All the original members of the Marin Street Light Acquisition Authority are eligible for membership. The Authority is established to finance, imple-

ment, and manage various municipal services with the member agencies including taxicab regulation and information management services. All assets and funds of the Marin Street Light Acquisition Authority were transferred to the MGSA. The financial responsibility of each member is based on a relative population and assessed value formula.

Marin Emergency Radio Authority (“MERA”). The Town is a member of MERA, along with the County of Marin and twenty-four local government agencies. The purpose of MERA is to plan, finance, implement, own, and operate a multi-jurisdictional and countywide public safety and emergency radio system. To finance this system, in 1999 MERA issued approximately \$27 million in revenue bonds.

Marin County Major Crimes Task Force. The Marin County Major Crimes Task Force, established in 1977, is a specialized undercover law enforcement unit focused on drug related and major criminal activity throughout the County of Marin. The Task Force Oversight Committee is comprised of ten cities and the Marin County Sheriff.

See APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE YEAR ENDED JUNE 30, 2015—Notes to Basic Financial Statements—NOTE 10.

Employee Retirement Plans

Miscellaneous Plan. All qualified permanent and probationary employees are eligible to participate in the Town’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, administered by PERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Town resolution. PERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the PERS website.

Benefits Provided. PERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Contributions. Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by PERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan was \$96,416 for the Miscellaneous Plan and \$97,466 for the Safety Plan.

Net Pension Liability. The Town’s net pension liability for the Plans is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is

measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

As of June 30, 2015, the Town reported net pension liabilities for its proportionate shares of the net pension liability of each Plan and its proportionate share of each Plan's total net pension liability as follows:

**CITY OF FAIRFAX
NET PENSION LIABILITIES
Fiscal Year 2014-15**

Plan and Tier	Share of Net Pension Liability	Proportionate Share of Total Net Pension Liability
Miscellaneous Tier 1	1,904,939	.07708%
Miscellaneous Tier 2	9,820	.00041
Miscellaneous PEPR	87	.00000
Safety Tier 1	4,114,790	.10070
Safety Tier 2	48,406	.00134
Total	6,078,042	n/a

Source: Town of Fairfax 2014-15 Audited Financial Statements.

Pension Expenses and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2015, the Town recognized pension expense of \$19,776 for the Miscellaneous Plan and \$1,511,176 for the Safety Plan. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF FAIRFAX
DEFERRED FLOW OF RESOURCES
Fiscal Year 2014-15**

	Miscellaneous Plan		Safety Plan	
	Deferred Out- flows of Resources	Deferred In- flows of Resources	Deferred Out- flows of Resources	Deferred In- flows of Resources
Pension contributions subsequent to measurement date	\$ 399,453	\$ -	\$ 877,442	-
Difference between actual and proportionate share in contributions	8,512	-	-	(41,670)
Differences in proportions	-	-	-	-
Net differences between projected and actual earnings on plan investments	-	(563,640)	-	(742,746)
Total	407,965	(563,640)	877,442	(784,416)

Source: Town of Fairfax 2014-15 Audited Financial Statements.

\$1,285,407 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Additional Information Concerning PERS, Actuarial Methods and Assumptions, Discount Rate. For information concerning PERS, descriptions of the actuarial methods and assumptions, and an explanation of the discount rate used by PERS please See APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE YEAR ENDED JUNE 30, 2015—Notes to Basic Financial Statements—NOTE 6.

Other Post-Employment Benefits

Plan Description. The Town provides full health insurance benefits to employees who retire with at least 25 years of service (20 years in Management). The Town will pay the one-party Kaiser Basic and Medicare-coordinated premiums for such retirees. For those with 10 or more years of service, there are partial benefits. For Public Safety Employees hired after 7/1/13 they are only eligible for partial retiree benefits (25% for 10 years of service or 50% for 20 years of service) miscellaneous employees hired after 7/1/13 are no longer eligible for retiree benefits. For retirees not eligible for the premium-based benefit, the Town will pay the PERS minimum employer contribution toward premiums. The cost of the benefits provided by the Plan is currently being paid along with the annual required contribution.

The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation for these benefits:

**NET OPEB OBLIGATION
Fiscal Year 2014-15**

Annual required contribution (ARC)	113,200
Interest on Net OPEB Obligation	19,483
Adjustment to annual required contribution	(16,913)
Annual OPEB cost	<u>115,770</u>
Town’s portion of current premiums paid	<u>(168,648)</u>
Change in Net OPEB Obligation	(52,878)
Net OPEB Obligation June 30, 2014	220,720
Net OPEB Obligation June 30, 2015	167,842

Source: Town of Fairfax 2014-15 Audited Financial Statements.

The Town’s OPEB annual required contributions and actual contributions for the last three fiscal years are set forth below:

HISTORICAL OPEB OBLIGATIONS
Fiscal Years 2012-13 to 2014-15

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012-13	119,937	58%	245,807
2013-14	112,470	122	220,720
2014-15	115,770	146	167,842

Source: Town of Fairfax 2014-15 Audited Financial Statements.

Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates assumptions about the probability of occurrence of events assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

For more information, see APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE YEAR ENDED JUNE 30, 2015—Notes to Basic Financial Statements—NOTE 8.

The Town currently has no outstanding short-term obligations.

Long-Term Obligations

General Fund Obligations. The Town has no outstanding debt secured by its General Fund.

Other Obligations

The Town has certain other outstanding long term obligations that are not secured by its General Fund. see APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE YEAR ENDED JUNE 30, 2015—Notes to Basic Financial Statements—NOTE 7.

THE AUTHORITY

The Authority was formed under a Joint Exercise of Powers Agreement dated as of August 6, 2008, between the Town and the California Municipal Financing Authority in accordance with the provisions of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Act”). The Authority was formed to assist the Town with the issuance of taxable and tax-exempt financing. Under the Act, the Authority has the power to issue Bonds, to finance or refinance the cost of public capital improvements of the Town, including to finance the purchase of bonds issued by the Town for such purpose. The obligations and debts of the Authority do not constitute obligations or debts of any of its mem-

bers. The Authority has no financial obligation to the Owners of the Bonds. The Authority has no taxing power.

STATE BUDGET INFORMATION

2016-17 State Budget

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2016-17 State Budget further described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” Additionally, an impartial analysis of the State’s Budgets is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the Town, and the Town takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Fiscal Year 2016-17 Budget. Governor Edmund G. Brown Jr. signed the fiscal year 2016-17 State budget (the “2016-17 State Budget”) on June 27, 2016. The 2016-17 State Budget proposes a multiyear plan that is balanced, while paying off budgetary debt from past years and setting aside reserves. The 2016-17 State Budget projects general fund revenues in the amount of \$117 billion in fiscal year 2015-16 and \$120 billion in fiscal year 2016-17. According to the 2016-17 State Budget, the primary reason for such additional revenues is the higher forecast for the personal income tax. Under the 2016-17 State Budget, general fund expenditures for fiscal year 2016-17 are \$122 billion.

The 2016-17 State Budget focuses new spending on one-time activities, such as repairing and replacing aged infrastructure, building affordable housing, and addressing the effects of the drought. The 2016-17 State Budget begins implementation of raising the state minimum wage to \$15 per hour by providing funding for an increase to \$10.50 per hour. It implements the managed care financing package passed earlier in 2016, including rate adjustments for community-based providers serving individuals with developmental disabilities.

Rainy Day Fund. The passage of Proposition 2 in 2014 gave the State an opportunity to mitigate the boom-and-bust budget cycles of the past two decades. Recent budget shortfalls had been driven by making ongoing commitments based upon temporary spikes in revenues, primarily from capital gains. Under Proposition 2, spikes in capital gains are used to save money for the next recession and to pay down the state’s debts and liabilities. Proposition 2 established a constitutional goal of having 10 percent of tax revenues in the Rainy Day Fund.

The 2016-17 State Budget funded the constitutionally required deposit into the Rainy Day Fund (\$1.3 billion) and supplements this with an additional \$2 billion deposit—bringing the fund’s balance to \$6.7 billion in fiscal year 2017-18, or 54 percent of its goal. The 2016-17 State Budget also pays down debts and liabilities by a total of \$1.3 billion from Proposition 2 funds.

Education. State funding for education has been at all-time highs since 2012-13 and is expected to grow to \$71.9 billion in fiscal year 2016-17, an increase of \$24.6 billion in five years (52 percent).

For K-12 schools, funding levels will increase by over \$3,600 per student in 2016-17 over 2011-12 levels. This reinvestment has given the state an opportunity to correct historical inequities in

school district funding with continued implementation of the Local Control Funding Formula. The 2016-17 State Budget provides \$2.9 billion in new funding, bringing the formula's implementation to 96 percent complete.

The 2016-17 State Budget also invests in the State's higher education system to maintain the quality and affordability of one of California's greatest strengths. The 2016-17 State Budget keeps tuition at 2011-12 levels. It also provides significant new one-time and ongoing funds for the University of California and the California State University.

Counteracting the Effects of Poverty. The State has an extensive safety net for the State's neediest residents who live in poverty. Since 2012, the General Fund has incurred new poverty-focused obligations totaling about \$20 billion (\$10.8 billion of which will be paid for through Proposition 98 funds). The 2016-17 State Budget includes the following new State efforts:

- The implementation of a \$10.50 per hour minimum wage beginning on January 1, 2017.
- The first state cost-of-living increase for Supplemental Security Income/State Supplementary Payment (SSI/SSP) recipients since 2005.
- The repeal of the maximum family grant rule in CalWORKs, which denied aid to children who were born while their parents were receiving aid.
- Limiting asset recovery from the estates of deceased Medi-Cal recipients to the extent federally required.

Strengthening Infrastructure. The 2016-17 State Budget includes over \$2 billion in funds for various infrastructure improvements, including \$1.3 billion General Fund for improving Sacramento office buildings including the State Capitol Annex. The 2016-17 State Budget also includes \$688 million (\$485 million General Fund) for critical deferred maintenance at levees, state parks, universities, community colleges, prisons, state hospitals, and other state facilities, as well as \$270 million in lease-revenue bond authority for local jail facilities.

Reducing the Cost of Housing. The 2016-17 State Budget reflects \$3.6 billion in state and federal funding and award authority for various affordable housing and homelessness programs, including increased funding for CalWORKs rapid rehousing and emergency homeless shelters. Of this amount, the Budget sets aside \$400 million General Fund for allocation later in the legislative session for affordable housing programs. The funding will be coupled with the Administration's proposed legislation requiring ministerial "by right" land use entitlements for multifamily in infill housing developments that include affordable housing. This will help constrain development costs, improve the pace of housing production, and encourage an increase in housing supply. In addition, legislation will authorize a \$2 billion bond from a portion of future Proposition 63 mental health revenues to develop and administer homelessness and affordable housing programs for the mentally ill.

Addressing Climate Change. The California Global Warming Solutions Act of 2006 (AB 32) set California's initial greenhouse gas emission reduction goals, and directed the state to maintain and continue reductions beyond 2020. California adopted several ambitious policies in 2015 that will further advance clean energy reduce greenhouse gas emissions. Over multiple years, the Cap and Trade program

will help the state transform its communities—particularly those disadvantaged ones—into innovative, sustainable economic centers.

The full summary of the 2016-17 State Budget can be viewed at www.ebudget.ca.gov or www.dof.ca.gov. Such websites are not incorporated herein by reference.

Future State Budgets. The Town cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the Town cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the Town has no control.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or “severely disabled homeowners” who sell their residence and

buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property.

Section 4 of Article XIII A also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

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

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, ap-

appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the Town over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the Town in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the Town's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Articles XIII C and XIII D (Proposition 218) of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the Town, to levy and collect both existing and future taxes and assessments, fees and charges.

Article XIII C

Section 2 of Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and requires two thirds voter approval for the imposition, extension or increase of special taxes. These voter approval requirements of Article XIII C reduce the flexibility of the Town to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance can be given that the Town will be able to enact, impose, extend or increase any such taxes in the future to meet increased expenditure requirements.

Although a portion of the Town's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes were either imposed, extended or increased prior to the effective date of Proposition 218 or in accordance with the requirements of Proposition 218. 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, such as the TOT, Proposition 172 revenues, or storm water fees which support the Town's General Fund. TOT and other local taxes, assessments, fees and charges, could be subject to reduction or repeal by initiative under Proposition 218.

Section 3 of Article XIII C expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges that had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIII C to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

“Fees” and “charges” are not expressly defined in Article XIII C or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIII C and Article XIII D (“SB 919”). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the “Bighorn Decision”) that charges for ongoing water delivery are fees and charges within the meaning Section 3 of Article XIII C. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIII C. The Bighorn Decision has been interpreted to mean that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIII D.

In the Bighorn Decision, the Supreme Court stated that nothing in Section 3 of Article XIII C authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water and wastewater service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution.

Article XIII C also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. 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. “Assessments,” “fees” and “charges” are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as for Article XIII D described below. If not, the scope of the initiative power under Article XIII C potentially could include any General Fund local tax, assessment, or fee not received from or imposed by the federal or State government or derived from investment income.

If the Town is unable to continue to collect assessment revenues for a particular program, the program might have to be curtailed and/or funded by the Town’s General Fund. Given the approval re-

quirements imposed by Article XIID, the Town is unable to predict whether it will be able to continue to collect assessment revenues for these programs. If the Town chose to fund any such programs from the General Fund instead, the General Fund budget would be affected.

Article XIID

Article XIID defines a “fee” or “charge” as any levy other than an ad valorem tax, special tax, or assessment imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership” herein. Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership. In the Bighorn Decision, the Supreme Court stated that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIID.

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

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

Depending on the interpretation of what constitutes a “property-related fee” under Article XIID, there could be future restrictions on the ability of the Town’s General Fund to charge its enterprise funds for various services provided. In the event that fees and charges of enterprise funds cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the Town may have to decide whether to supplement any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

Both Articles XIIA and XIIB, as well as Articles XIIC and XIID described above, were adopted as measures that qualified for the ballot pursuant to California’s constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the Town to increase revenues and to increase appropriations.

Proposition 62

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

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Corporation v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. The county-wide sales tax at issue received an affirmative vote of only 54.1% and was found to be invalid.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("*La Habra*"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 1A of 2004

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

The 2004 Budget Act, related legislation and the enactment of Proposition 1A of 2004 (described below) dramatically changed the State-local fiscal relationship. These constitutional and statutory changes implemented an agreement negotiated between the Governor and local government officials (the “State-local agreement”) in connection with the 2004 Budget Act.

One change related to the reduction of the VLF rate from 2% to 0.65% of the market value of the vehicle. In order to protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue to cities and counties from this rate change was backfilled by an increase in the amount of property tax revenues they receive. This worked to the benefit of local governments, because the backfill amount annually increases in proportion to the growth in secured roll property tax revenues, which has historically grown at a higher rate than VLF revenues. Proposition 1A of 2004 requires the State to provide local governments with equal replacement revenues.

On November 3, 2004 the voters of the State approved Proposition 1A (“Proposition 1A of 2004”). Proposition 1A of 2004 amended the State Constitution to, among other things, reduce the Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local governments’ property tax, sales tax, and VLF revenues as of November 3, 2004. Pursuant to Proposition 1A of 2004, the State is able to borrow up to 8% of local property tax revenues but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approve the borrowing. Any amounts borrowed are required to be repaid within three years. Proposition 1A of 2004 also permits the State to borrow from local property tax revenues for no more than two fiscal years within a period of 10 fiscal years, and only if previous borrowings have been repaid. In addition, the State cannot reduce the local sales tax rate or restrict the authority of the local governments to impose or change the distribution of the statewide local sales tax. Proposition 1A of 2004 generally prohibits the State from mandating activities on cities, counties, or special districts without providing the funding needed to comply with the mandates, and if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties, or special districts to abide by the mandate is suspended. Proposition 1A of 2004 also expanded the definition of what constitutes a mandate to encompass State action that transfers to cities, counties, and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A of 2004 do not apply to schools or community colleges or to mandates relating to employee rights.

Pursuant to statutory changes made in conjunction with amendments to the fiscal year 2008-09 State Budget Act, the fiscal year 2009-10 State Budget Act and related budget legislation adopted by the State Legislature and signed by the Governor in February 2012 (collectively, the “February 2012 Budget Package”), the VLF rate increased from 0.65% to 1.15% effective May 19, 2012. Of this 0.50% increase, 0.35% will flow to the State General Fund, and 0.15% will support various law enforcement programs previously funded by the State General Fund.

Proposition 22

Proposition 22 (“Proposition 22”), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State’s ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of

Proposition 1A of 2004. See “ – Proposition 1 A of 2004” herein. In addition, Proposition 22 generally eliminates the State’s authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase schools’ and community college districts’ share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The Town does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2015-16.

Proposition 26

Proposition 26 (“Proposition 26”), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of “taxes.” Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or

lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the Town's fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the minimum funding guarantee for school districts and community college districts contained in the State Constitution. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). By dedicating the Proposition 30 funds to education, other revenues in the State General Fund are freed up to fund other programs. Proposition 30 also placed into the state Constitution the current statutory provisions transferring 1.0625 percent of the state sales tax to local governments to fund realignment.

Future Initiatives

Article XIII A, XIII B, XIII C and XIII D, Propositions 62, 1A, 22, 26, and 30 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the Town or local districts to increase revenues or to increase appropriations which may affect the Town's revenues or its ability to expend its revenues.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Certificates. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Certificates, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Certificates are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Lease Payments Are Not Debt

The obligation of the Town to make the Lease Payments under the Lease Agreement 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 make Lease Payments does not constitute a debt of the Town, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the Town, the Town is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the Town has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments. The Town is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the Town, in its discretion, may determine to pay prior to the Lease Payments.

The Town has the capacity to enter into other obligations payable from the Town's General Fund, without the consent of or prior notice to the Owners of the Certificates. To the extent that additional obligations are incurred by the Town, the funds available to make Lease Payments may be decreased. 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. The same result could occur if, because of State constitutional limits on expenditures, the Town is not permitted to appropriate and spend all of its available revenues. The Town's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the Town's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII B of the California Constitution."

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Lease Agreement, the Town covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the 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 such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon delivery of the Certificates, Special Counsel will render its opinion (substantially in the form of APPENDIX D-FORM OF OPINION OF SPECIAL COUNSEL) to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the Town.

Abatement

In the event of loss or substantial interference in the use and possession by the Town of all or any portion of the Property caused by material damage, title defect, destruction to or condemnation of the Property, Lease Payments will be subject to abatement. In the event that such component of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the Town's rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Property or redemption of the Certificates, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease Agreement does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

If the Lease Payments are abated, such abatement period extends beyond October 15, 2040, and the Town is unable to substitute the Property for a Substitute Site and a Substitute Facility, as described above under the heading "—Substitution or Release of Site or Facility," there could be insufficient funds to make payments to Owners in full.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to sell a fee simple interest in the Property and use the proceeds of such sale to prepay the Certificates or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

Risk of Uninsured Loss

The Town covenants under the Lease Agreement to maintain certain insurance policies on the Property. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance.” These insurance policies do not cover all types of risk, and the Town need not obtain insurance except as available on the open market from reputable insurers. For instance, the Town does not covenant to maintain earthquake insurance. See “RISK FACTORS—Earthquakes.” The Property could be damaged or destroyed due to earthquake or other casualty for which the Property is uninsured. Additionally, the Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the Town’s liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to redeem the Certificates.

Under the Lease Agreement the Town may obtain casualty insurance which provides for a deductible up to \$250,000. Should the Town be required to meet such deductible expenses, the availability of General Fund revenues to make Lease Payments may be correspondingly affected.

The Town is not obligated under the Lease Agreement to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property. Depending on its severity, an earthquake could result in abatement of Lease Payments under the Lease Agreement. See “—Abatement.”

Eminent Domain

If the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the Town and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property. The Town covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Payments in whole, if all the Property is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Property is condemned.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The Town is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

Earthquakes

The Town is not legally obligated under the Lease Agreement to maintain, or cause to be maintained, earthquake insurance on the Property and no assurance is made that any earthquake insurance will be maintained. If there were to be an occurrence of severe seismic activity in the Town, there could be substantial damage to and interference with the Town's right to use and occupy all or a portion of the Property, which could result in Lease Payments being subject to abatement. Additionally, severe seismic activity in the Town could impact the Town's General Fund expenditures. See "CERTAIN RISK FACTORS—Abatement" above.

Bankruptcy

The Town is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the Town may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the Town were to become a debtor under the Bankruptcy Code, the Town would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Town or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Town; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the Town's debt (a "Plan") without the consent of the Trustee or all of the Owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the Town could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the Town an event of default thereunder. In the event the Town rejects the Lease Agreement, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreement and the Town's obligations to make payments thereunder.

Pension Benefit Liability

Many factors influence the amount of the Town's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of PERS retirement system laws, changes in the level of benefits provided or in the contribution rates of the Town, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the Town to its pension plans as a result of which the Town would be obligated to make additional payments to its pension plans in order to fully fund the Town's obligations to its pension plans.

Early Redemption Risk

Early redemption of the Certificates may occur in whole or in part without premium, on any date if the Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance, or on any Interest Payment Date, without a premium (see "THE CERTIFICATES - Redemption"), if the Town exercises its right to prepay Lease Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Trust Agreement.

Limitations on Remedies

The enforcement of any remedies provided in the Lease Agreement and the Trust Agreement could prove both expensive and time consuming. Although the Lease Agreement provides that if the Town defaults the Trustee may reenter the Property and re-let the Property, portions of the Property may not be easily recoverable, and even if recovered, could be of little value to others because of the Property's specialized nature. Additionally, the Trustee may have limited ability to re-let the Property to provide a source of rental payments sufficient to pay the principal and interest with respect to the Certificates or to preserve the tax-exempt nature of interest with respect to the Certificates. Furthermore, due to the governmental nature of the Property, it is not certain whether a court would permit the exercise of the remedy of re-letting with respect thereto.

Alternatively, the Trustee may terminate the Lease Agreement and proceed against the Town to recover damages pursuant to the Lease Agreement. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The rights of the Owners of the Certificates are subject to certain limitations on legal remedies against cities, redevelopment agencies and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Certificates may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Under Chapter 9 of the Bankruptcy Code (Title 11, United

States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the Town were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease Agreement and from taking any steps to collect amounts due from the Town under the Lease Agreement.

Special Counsel has limited its opinions as to the enforceability of the Lease Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Certificates are not subject to acceleration in the event of the breach of any covenant or duty under the Lease Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Certificates, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the Town.

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the General Fund revenues of the Town and consequently, having an adverse effect on the security for the Certificates.

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Certificates, the Town will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the Town or the Authority affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the Town and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the Town or the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Town or the Authority or their authority with respect to the Certificates or any action of the Town or the Authority contemplated by any of said documents, nor, to the knowledge of the Town or the Authority, is there any basis therefor.

CONTINUING DISCLOSURE

The Town has covenanted for the benefit of Owners and beneficial owners of the Certificates to provide certain financial information and operating data relating to the Town by not later than March 31 following the end of the Town's fiscal year (currently ending June 30) (the "Annual Report"), commencing with the report for the fiscal year ended June 30, 2016, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the Town with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

[CONTINUING DISCLOSURE HISTORY]

MUNICIPAL ADVISOR

The Town has retained Wulff, Hansen & Co., San Francisco, California, as municipal advisor (the "Municipal Advisor") in connection with the execution, sale and delivery of the Certificates. The Municipal Advisor has assisted the Town in connection with the planning, structuring, sale and delivery of the Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by the Municipal Advisor. The fees of the Municipal Advisor in respect to the Certificates are contingent upon their sale and delivery.

LEGAL MATTERS

All legal matters in connection with the execution and delivery of the Certificates are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Special Counsel. Special Counsel's opinion with respect to the Certificates will be substantially in the form set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL. Certain legal matters will also be passed on for the Town by Quint & Thimmig LLP, as Disclosure Counsel. The fees and expenses of Special Counsel, Disclosure Counsel and Underwriter's counsel are contingent upon the execution and delivery of the Certificates.

TAX MATTERS

Interest with respect to the Certificates is includible in gross income for federal income purposes. Ownership of the Certificates may result in other federal income tax consequences to certain taxpayers. Certificate owners should consult their tax advisors with respect to the inclusion of interest with respect to the Certificates in gross income for federal income tax purposes and any collateral tax consequences.

In the further opinion of Special Counsel, the interest evidenced and represented by the Certificates is exempt from California personal income taxes.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest represented by the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code (the “Code”) generally prohibit certain transactions between employee benefit plans under ERISA or tax-qualified retirement plans and individual retirement accounts under the code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In addition, each fiduciary of a Plan must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Certificates, including the role that such an investment in the Certificates would play in the Plan’s overall investment portfolio. Each fiduciary of a Plan, before deciding to invest in the Certificates, must be satisfied that such investment in the Certificates is a prudent investment for the Plan, that the investments of the Plan, including the investments in the Certificates, are diversified so as to minimize the risk of large losses and that investment in the Certificates complies with the documents of the Plan and related trust, to the extent that such documents are consistent with ERISA. The fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Certificate and consider whether the purchase and holding of the Certificates might result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

UNDERWRITING

The Certificates are being purchased by Brandis Tallman LLC (the “Underwriter”). The Underwriter will agree to purchase the Certificates at a price of \$_____ (representing an aggregate principal amount of the Certificates of \$_____, less an original issue discount in the amount of \$_____, and less an Underwriter’s discount in the amount of \$_____). The Purchase Agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said Purchase Agreement, approval of certain legal matters by counsel and certain other conditions. After a bona fide initial public offering at the price stated on the cover page hereof, the Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

RATING

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”), has assigned the underlying rating of “_____” to the Certificates. This rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or with-

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

FINANCIAL STATEMENTS

The Town's financial statements for the fiscal year ended June 30, 2015, included in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE FISCAL YEAR ENDED JUNE 30, 2015, have been audited by the Town's Auditor, as stated in its reports appearing in such appendix. The Town's Auditor has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Town's Auditor with respect to any event subsequent to its report.

ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, 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 be realized.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

The Town will furnish a certificate dated the date of delivery of the Certificates, from an appropriate officer of the Town, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the Town has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the issuance of the Certificates.

The execution and delivery of the Official Statement by the Town have been duly authorized by the Town Council of the Town.

CITY OF FAIRFAX

By _____
Town Manager

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APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE TOWN AND THE COUNTY

Introduction

The Town of Fairfax (the “Town”) was incorporated in 1931 and is located in Marin County, California (the “County”), about 20 miles north of San Francisco. The Town is located 3.25 miles (5.2 km) west- northwest of the City of San Rafael, at an elevation of 115 feet (35 m). The territory of the Town encompasses approximately 2.1 square miles.

The Town is renowned for its desirable residential neighborhoods and its proximity to the Marin headlands and outdoor activities available in the Golden Gate National Recreation Area.

The County, located in the San Francisco-Oakland metro area, is one of 58 counties in California. One of the nine Bay Area counties, the County is linked to San Francisco by the Golden Gate Bridge and to the East Bay by the Richmond-San Rafael Bridge. The is bordered on the north and northeast by Sonoma County and on the west by the Pacific Ocean. According to the U.S. Census Bureau, the County has a total area of 828 square miles (2,140 km²), of which 520 square miles (1,300 km²) is land and 308 square miles (800 km²) (37.2%) is water. The County is the fourth-smallest county in California by land area.

Most of the County’s population resides in its eastern side, with a string of communities running along San Francisco Bay, from Sausalito to Tiburon to Corte Madera to San Rafael. The interior of the County contains large areas of agricultural and open space. West Marin, through which State Route 1 runs alongside the California coast, contains many small unincorporated communities whose economies depend on agriculture and tourism. West Marin has beaches which are popular destinations for surfers and tourists year-round. Notable features of the County include the Sausalito shoreline, Richardson Bay, the Tiburon Peninsula, Ring Mountain, and Triangle Marsh at Corte Madera.

Population

The table below summarizes population of the Town, the County and the State of California for the last five years.

**Town of Fairfax, Marin County and California
POPULATION**

<u>Year</u>	<u>Fairfax</u>	<u>Marin County</u>	<u>State of California</u>
2012	7,456	255,812	37,881,357
2013	7,369	257,228	38,239,207
2014	7,418	260,294	38,657,459
2015	7,433	261,798	38,907,642
2016	7,426	262,274	39,255,883

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark.

Employment

The following table summarizes the historical numbers of workers by industry in the County for the last five years:

**San Rafael MD
(Marin County)
LABOR FORCE AND INDUSTRY EMPLOYMENT
(Annual Averages by Industry)**

	2011	2012	2013	2014	2015 ⁽¹⁾
Total, All Industries	103,100	106,200	110,000	111,300	113,300
Total Farm	400	400	400	400	300
Mining and Logging	100	100	-	-	-
Construction	4,900	5,200	5,700	6,100	6,500
Manufacturing	2,200	2,400	2,900	3,500	4,000
Wholesale Trade	2,400	2,600	2,700	2,800	3,000
Retail Trade	13,400	13,600	13,900	14,300	14,300
Transportation, Warehousing & Utilities	1,100	1,100	1,200	1,300	1,200
Information	2,600	2,800	2,800	2,600	2,600
Financial Activities	7,000	7,200	7,300	6,800	6,400
Professional & Business Services	17,800	18,600	18,700	18,200	18,700
Educational & Health Services	17,800	18,500	19,400	19,700	20,200
Leisure & Hospitality	12,700	13,200	14,400	15,100	15,400
Other Services	4,800	5,000	5,200	5,200	5,300
Government	16,000	15,500	15,400	15,400	15,700

Source: California Employment Development Department, based on March 2015 benchmark.

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

(1) Last available full year data.

The following tables summarize historical employment and unemployment for the County, the State of California and the United States for the last five years:

**Marin County, California and United States
CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT
(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2011	Marin County	134,600	124,800	9,800	7.3%
	California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Marin County	137,100	128,500	8,600	6.3
	California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Marin County	138,700	131,500	7,200	5.2
	California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014	Marin County	139,600	133,700	5,900	4.3
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015 ⁽²⁾	Marin County	141,100	136,100	5,000	3.5
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	157,130,000	148,834,000	146,411,000	5.3

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2015, and US Department of Labor.

- (1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.
- (2) Latest available full-year data.

Major Employers

The table below sets forth the ten principal employers of the County in 2015.

Marin County MAJOR EMPLOYERS

Employer Name	Number of Employees	% of Total County Employment
County of Marin	2,125	1.55%
San Quentin State Prison	1,705	1.25
Kaiser Permanente Medical Center	1,575	1.15
Marin General Hospital	1,378	1.01
BioMarin Pharmaceutical	850	.62
Novato Unified School District	834	.61
Autodesk, Inc.	763	.56
Fireman's Fund Insurance Co.	721	.53
San Rafael City Schools	610	.45
Dominican University	422	.31
Total Top 10	10,983	8.02

Source: Marin County CAFR for the Fiscal Year Ended June 30, 2015.

Construction Activity

The following tables reflect the five-year history of building permit valuation for the Town and the County:

Town of Fairfax BUILDING PERMITS AND VALUATION (Dollars in Thousands)

	2011	2012	2013	2014	2015
Permit Valuation:					
New Single-family	300	880	465	1,600	1,300
New Multi-family	-	-	-	-	-
Res. Alterations/Additions	2,180	1,323	1,310	3,225	4,380
Total Residential	2,480	2,203	1,775	4,825	5,680
Total Nonresidential	91	511	3,254	815	1,187
Total All Building	2,572	2,715	5,029	5,641	6,867
New Dwelling Units:					
Single Family	1	1	1	2	3
Multiple Family	-	-	-	-	-
Total	1	1	1	2	3

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

Marin County
BUILDING PERMITS AND VALUATION
(Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Permit Valuation:</u>					
New Single-family	35,394	36,152	59,423	71,460	75,834
New Multi-family	7,621	4,927	33,397	14,069	2,426
Res. Alterations/Additions	<u>160,275</u>	<u>132,762</u>	<u>152,065</u>	<u>203,375</u>	<u>203,754</u>
Total Residential	203,292	173,842	244,885	288,904	282,015
Total Nonresidential	<u>82,031</u>	<u>118,071</u>	<u>378,771</u>	<u>186,281</u>	<u>550,397</u>
Total All Building	<u><u>285,323</u></u>	<u><u>291,914</u></u>	<u><u>623,657</u></u>	<u><u>475,186</u></u>	<u><u>832,412</u></u>
<u>New Dwelling Units:</u>					
Single Family	55	67	90	112	121
Multiple Family	<u>61</u>	<u>50</u>	<u>212</u>	<u>76</u>	<u>20</u>
Total	<u><u>116</u></u>	<u><u>117</u></u>	<u><u>302</u></u>	<u><u>188</u></u>	<u><u>141</u></u>

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the County for the last five available years are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change in industry-level data since 2009 is not comparable to that of prior years.

Marin County
TAXABLE SALES
(Dollars in Thousands)

	2010	2011	2012	2013	2014 ⁽¹⁾
Retail and Food Services					
Motor Vehicles and Parts Dealers	485,061	523,483	610,028	660,321	747,417
Furniture and Home Furnishings Stores	109,379	117,090	118,307	121,233	124,521
Electronics and Appliance Stores	123,308	123,608	120,099	124,988	120,484
Bldg Mtrl. and Garden Equip. and Supplies	237,664	254,092	272,110	313,687	320,281
Food and Beverage Stores	259,294	266,823	277,873	287,593	295,492
Health and Personal Care Stores	114,342	121,051	122,472	127,239	124,546
Gasoline Stations	301,124	371,618	400,211	394,982	383,553
Clothing and Clothing Accessories Stores	263,834	280,098	305,000	324,851	338,612
Sporting Goods, Hobby, Book and Music Stores	131,892	138,838	137,827	143,664	142,240
General Merchandise Stores	265,063	273,199	281,325	292,739	284,649
Miscellaneous Store Retailers	175,970	182,054	184,154	209,267	211,658
Nonstore Retailers	25,596	26,884	41,692	85,735	94,366
Food Services and Drinking Places	422,951	455,433	486,787	518,808	557,496
Total Retail and Food Services	<u>2,915,477</u>	<u>3,134,270</u>	<u>3,357,884</u>	<u>3,605,108</u>	<u>3,745,315</u>
All Other Outlets	918,692	915,599	975,716	1,059,812	1,116,486
Totals All Outlets ⁽²⁾	<u>3,834,169</u>	<u>4,049,869</u>	<u>4,333,600</u>	<u>4,664,920</u>	<u>4,861,801</u>

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).

(1) Last available full year data.

(2) Totals may not add up due to independent rounding.

Median Household Income

The following table summarizes the total effective buying income and median household effective buying income for the Town, the County, the State of California and the nation for the last five years.

Town of Fairfax, Marin County, California and United States MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

Year	Area	Total Effective Buying Income (000's Omitted)	Median Effective Buying Income
2011	Fairfax	275,075	63,799
	Marin County	10,592,305	68,667
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	Fairfax	361,855	76,307
	Marin County	11,615,363	69,129
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	Fairfax	305,165	66,374
	Marin County	10,035,970	61,675
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	Fairfax	356,280	79,979
	Marin County	11,636,360	74,420
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Fairfax	367,478	81,673
	Marin County	12,751,873	80,192
	California	981,231,666	53,589
	United States	7,757,960,399	46,738

Source: Nielsen, Inc.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The Auditor was not requested to consent to the inclusion of its report in this Appendix B and it has not undertaken to update financial statements included in this Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

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APPENDIX C
INVESTMENT POLICY OF THE TOWN

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APPENDIX D

FORM OF OPINION OF SPECIAL COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Town Council of the
Town of Fairfax
142 Bolinas Road
Fairfax, California 94930

OPINION: \$ _____ * Certificates of Participation (2016 Refinancing Project—Taxable) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Town of Fairfax (Marin County, California), As the Rental for Certain Property Pursuant to a Lease Agreement with the Fairfax Financing Authority

Members of the Town Council:

We have acted as special counsel in connection with the delivery by the Town of Fairfax (the “Town”), of its \$ _____ * Lease Agreement, dated as of December 1, 2016, by and between the Fairfax Financing Authority (the “Authority”) and the Town (the “Lease Agreement”), and the Site and Facility Lease, dated as of December 1, 2016, by and between the Authority and the Town (the “Site and Facility Lease”), pursuant to the California Government Code. The Authority has, pursuant to the Assignment Agreement, dated as of December 1, 2016 (the “Assignment Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the Town thereunder (the “Lease Payments”), to the Trustee. Pursuant to the Trust Agreement, dated as of December 1, 2016, by and among the Trustee, the Authority and the Town (the “Trust Agreement”), the Trustee has executed and delivered certificates of participation (the “Certificates”) evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Town contained in the Lease Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The Town is duly created and validly existing as a municipal corporation and general law city organized and existing under the laws of the State of California with the power to enter into the Site and Facility Lease, the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Site and Facility Lease and the Lease Agreement have been duly authorized, executed and delivered by the Town and are obligation of the Town valid, binding and enforceable against the Town in accordance with their respective terms.

* Preliminary, subject to change.

3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the Town are payable from general funds of the Town lawfully available therefor. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the terms and provisions of the Trust Agreement.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the Bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

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APPENDIX F

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the Town takes no responsibility for the completeness or accuracy thereof. The Town cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (as used in this Appendix F, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

ing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Town or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the Town OF FAIRFAX (the “Town”) in connection with the execution and delivery of \$ _____* Town of Fairfax Certificates of Participation (2016 Refinancing Project—Taxable) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2016, by and among U.S. Bank National Association, as trustee (the “Trustee”), the Town and the Fairfax Financing Authority (the “Trust Agreement”). Pursuant to Section 11.08 of the Trust Agreement, the Town covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

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

“*Dissemination Agent*” shall mean _____ or any successor Dissemination Agent designated in writing by the Town and which has filed with the Town a written acceptance of such designation. In the absence of such a designation, the Town shall act as the Dissemination Agent.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

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

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

“*Rule*” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The Town shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Town's fiscal year (which currently ends on June 30), commencing with the report for the 2015-16 Fiscal Year, which is due not later than March 31, 2017, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the Town's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the Town shall provide the Annual Report to the Dissemination Agent (if other than the Town). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Town.

(d) *Report of Non-Compliance.* If the Town is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the Town shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the Town is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the Town, file a report with the Town certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

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

(a) *Financial Statements.* Audited financial statements of the Town for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the Town's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the Town, the Annual Report shall also include financial and operating data with respect to the Town for preceding fiscal year, as follows:

- (i) general fund revenue sources by type (over \$1,000,000);
- (ii) combined annual contribution (Town's share and employees' share) to the Public Employees Retirement System;
- (iii) adopted general fund budget;
- (iv) tax rates; and
- (v) assessed valuations.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Town or related public entities, which are available to the public on EMMA. The Town shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Town shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The Town shall, or shall cause the Dissemination Agent (if not the Town) to, give notice of the occurrence of any of the following events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The Town shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an

action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The Town shall, or shall cause the Dissemination Agent (if not the Town) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the Town obtains knowledge of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates under the Trust Agreement.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the Town shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Town, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Town pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the Town. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Town shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the Town.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid reasonable compensation by the Town for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Town from time to time and all reasonable expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Town, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the Town or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Town. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the Town that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the Town shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Town. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Town chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Town shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Town to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the Town 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 powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Trust Agreement. The obligations of the Town under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: [Closing Date]

TOWN OF FAIRFAX

By _____
Authorized Officer/

ACKNOWLEDGED:

_____, as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Town of Fairfax

Name of Issue: Certificates of Participation (2016 Refinancing Project—Taxable) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Town of Fairfax (Marin County, California), As the Rental for Certain Property Pursuant to a Lease Agreement with the Fairfax Financing Authority

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

_____, as Dissemination Agent

By _____
Authorized Officer

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