



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of City Council
FROM: Jeff Killian, Finance Director Emeritus
MEETING DATE: August 20, 2014
SUBJECT: Resolutions Authorizing Refunding of the City's 2004 Golf Course Certificates of Participation (COPs)
CEQA: Does not Constitute a "Project" per California Environmental Quality Act (CEQA) Guidelines

RECOMMENDATION

1. Adopt (a) a resolution authorizing refinancing of the Golf Course Clubhouse and Pro Shop improvements and (b) a resolution amending the City's agreement with Bond Counsel and appointing Southwest Securities, Inc. as Placement Agent.
2. Direct staff to work with Bond Counsel, Placement Agent, and Umpqua Bank to proceed with the refunding of the City's outstanding 2004 Golf Course COPs pursuant to the lease/leaseback documents (the "Refunding Documents").

DISCUSSION

The current tax-exempt certificates of participation (the "Prior Obligations") are presently outstanding in the aggregate principal amount of \$3,220,000, as detailed in the Numerical Analysis (Attachment 7). The Prior Obligations are scheduled to mature on August 1, 2034; they bear interest at a fixed rate of approximately 5.50%. The City makes semi-annual payments each February 1st and August 1st, with the total principal and interest payments averaging approximately \$270,000 each year to maturity.

The City Council, on February 6, 2013, adopted a resolution expressing its desire to refund the Prior Obligations, and retained The Weist Law Firm as bond counsel (the "Bond Counsel"), pursuant to a fee agreement, dated February 6, 2013 (the "Agreement"), to take legal action and to prepare and submit to the appropriate parties all proceedings, agreements, and other documents necessary and customary in connection with the refunding of the Prior Obligations.

Mid-way through the refunding process, the City determined that it was in the best interest of the City to lease the Golf Course to CourseCo, a private company specializing in golf course management and operations (the "Management Lease"). The Management Lease unavoidably requires the City to take all appropriate actions necessary to convert the tax status of the Prior Obligations from tax-exempt to taxable. Staff has worked with the City Attorney and Bond Counsel to develop a legal financing structure that accomplishes the Refunding on a taxable basis, while still providing savings to the City. After due investigation and deliberation, it has been determined that it is in the interests of the City to provide for the Refunding and complete legal defeasance of the Prior Obligations at this time.

Several months back, staff discussed with Bond Counsel the City's desire of expediting the Refunding, but at the best rate possible, and that given the time constraints and the taxable status of the Refunding transaction, we directed Bond Counsel to simultaneously prepare for both a private placement and a public offering, in order to preserve ultimate flexibility to choose either option. Bond Counsel at that time advised that "dual-track" structure effectively modifies the Agreement, merging Section 2 (A), (B) and (C) of the Agreement. It is now appropriate to modify the Agreement in accordance with the Amendment to Agreement for Special Counsel Service (Attachment 3) attached to the corresponding amending resolution (Attachment 2).

As prerequisite to preparing for a potential private placement, Southwest Securities Inc. (the "Placement Agent") has worked with staff and Bond Counsel to obtain indications of interest from several banking institutions, and recommended Umpqua Bank (the "Bank"), as it offered the best rates and terms for the Refunding. The Placement Agent has provided the attached Numerical Analysis (Attachment 7), which is based upon the interest rate proposed by the Bank.

By Refunding the Prior Obligations in accordance with the parameters of Numerical Analysis, the City will reduce both the interest rate and the remaining term of the Prior Obligations from August 1, 2034, to August 1, 2030. This will result in a cash savings of approximately \$657,634. Details of the savings are more specifically set forth in the Numerical Analysis (Attachment 7, page 2). . The City will be saving approximately 3.5%, when compared to the original COPs. Industry standards encourage refunding anytime savings of over 3.0% can be realized.

The City is fully amortizing the loan, borrowing at a fixed rate for the full term, able to pre-pay with no penalties, and is bound by no continuing disclosure requirements. In addition, the City is not required to pre-fund a reserve fund.

Rather than typical bonds, Bond Counsel and the Bank's attorneys have developed the proposed lease/leaseback approach, which they have used elsewhere to the benefit of both the jurisdiction and the bank. In brief, under this approach, the City will be leasing the Club House and the Pro Shop (i.e., the assets constructed by the proceeds of the original COPs) to Umpqua Bank. The Bank will be leasing those assets back to the City, in consideration for 15 years of annual lease payments. (This asset lease/leaseback has no impact with the management/operations lease between the City and CourseCo since, under the terms of the City's lease with CourseCo, the City retains ownership of all real and fixed assets.)

The current interim agreement with CourseCo expires on September 30, 2014. Assuming the current refunding schedule holds, the COPS will be retired and the new lease/leaseback will be fully in place by September 29. Thus, the lease with CourseCo can (and will automatically) go into effect on October 1, 2014, as scheduled.

SUMMARY OF FINANCING DOCUMENTS

The resolutions being recommended for adoption essentially authorize and approve the form of all the foundational legal documents (i.e., the Refunding Documents) necessary to provide for the successful

refunding and defeasance of the Prior Obligations. Each of the Refunding Documents is briefly described as follows:

1. Site and Facility Lease: This is an agreement between the City and Umpqua Bank, providing the mechanism of leasing the Golf Course to the Bank in exchange for the “loan” of sufficient moneys to accomplish the Refunding.
2. Lease Agreement: This agreement provides for the lease of Golf Course back to the City in exchange for lease payments commensurate with the debt service on the “loan” from the Bank. The City pledges all moneys received by the City from the Golf Course, as well pledging General Fund revenues as a backstop, to repay the lease payments over the term of the Lease Agreement. This requirement matches well with reality, since the Golf Links represent the City’s primary formal recreation program and a major draw for tourism, the City is not going to let the Golf Course fail. (Note: the General Fund was not the backstop for the current COPs; however, with this year’s payoff of the City Hall bonds, the commitments of the General Fund are actually decreasing from what they were in prior years.)
3. Escrow Agreement: This document sets forth the City’s instructions as to the specific amounts, terms, and conditions of the Refunding proceeds and the corresponding Refunding of the Prior Obligations. The Escrow Agreement ensures the full and complete legal defeasance of the Prior Obligations.

FISCAL IMPACT

There are minimal immediate cost implications to the City, as all consultants have agreed to work on a fully contingent basis (other than the requirement for a policy of Title Insurance, which is estimated to be approximately \$5,000). Additional costs are the staff time spent on administrative tasks associated with the Refunding process.

The Refunding will decrease total Golf Fund cash obligations over the next 18 years by \$657,634 (i.e., total savings of approximately \$931,476, less the \$273,842 reserve contribution for the COPs). Total costs of issuance are estimated at \$140,000. The net present value savings are \$26,770. Additional savings of the \$2,500 paid each year to the Trustees for the COPs are also realized. As part of the deal, the City is benefiting from a reduction in 60 basis points, by transferring \$2 million of invested funds from LAIF to Umpqua Bank. These invested funds will be fully insured.

OPTIONS

1. Do not approve the Resolutions and corresponding Financing Documents in connection with the Financing. If the Resolutions and corresponding Financing Documents are not approved, the City would not move forward with the Refunding.
2. Provide alternative direction to the City Manager.

ATTACHMENTS

1. Resolution No. 2014-xxx
2. Resolution No. 2014-xxx
3. Amendment to Bond Counsel Agreement

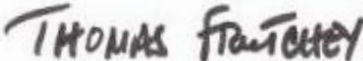
- 4. Site and Facility Lease
- 5. Lease Agreement
- 6. Escrow Agreement
- 7. Numerical Analysis

RESPECTFULLY SUBMITTED,

Jeffrey W. Killian

Jeff Killian
Finance Director Emeritus

REVIEWED BY,



Thomas Frutchey
City Manager

RESOLUTION NO. 14-xxx

**RESOLUTION AUTHORIZING THE REFUNDING OF THE OUTSTANDING 2004
CERTIFICATES OF PARTICIPATION; APPROVING THE FORMS OF AND
AUTHORIZING AND DIRECTING EXECUTION AND DELIVERY OF LEASE
AGREEMENT, SITE AND FACILITY LEASE AND ESCROW AGREEMENT; AND
PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO**

FINDINGS

1. The City has heretofore issued 2004 Golf Course Certificates of Participation in the original amount of \$3,960,000, which are presently outstanding in the approximate aggregate principal amount of \$3,220,000 (the "Prior Obligations"), the proceeds of which were used to finance certain additions, betterments, extensions and improvements to the City's Golf Course (the "Golf Course").
2. The City Council, on February 6, 2013, expressed its desire to refund the Prior Obligations (the "Refunding"), and retained The Weist Law Firm as bond counsel (the "Bond Counsel") to take legal action and to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary and customary in connection with the refunding of the Prior Obligations.
3. Mid-way through the Refunding process, the City determined that it was in the best interest of the City to lease the Golf Course to a private company specializing in golf course management and operations (the "Management Lease").
4. The Management Lease unavoidably requires the City to take all appropriate action necessary to convert the tax status of the Prior Obligations from tax-exempt to taxable.
5. City staff has worked with the City Attorney and Bond Counsel to develop a legal financing structure that accomplishes the Refunding on taxable basis, while still providing savings to the City, and the City Council, after due investigation and deliberation, determined that it is in the interests of the City at this time to provide for the Refunding and complete legal defeasance of the Prior Obligations.
6. For the purpose of providing for the funds necessary to consummate the Refunding, the City has proposed to lease the Golf Course site and facilities to Umpqua Bank, an Oregon State Chartered Bank (the "Bank") pursuant to a Site and Facility Lease (the "Site Lease"), dated as of August 1, 2014, by and between the Bank and the City, pursuant to which the Bank agrees to make an upfront lump sum payment in the amount necessary to successfully accomplish the Refinancing (the "Financing Proceeds").
7. The Bank has proposed to sublease the Site and Facility back to the City pursuant to a Lease Agreement (the "Lease Agreement"), dated as of August 1, 2014, by and between the Bank and the City, pursuant to which the City will make lease payments, sufficient in amount to pay back the debt service on the Financing Proceeds advanced by the Bank under the Site Lease.
8. To properly account for the Refunding, and cause the legal defeasance of all Prior Obligations, it is now appropriate and necessary for the City to approve the form of Escrow Agreement (the "Escrow

Agreement”), dated as of August 1, 2014 (the “Escrow Agreement”), pursuant to which The Bank of New York Mellon Trust Company, N. A., as Escrow Agent (the “Escrow Agent”) will irrevocably hold and invest all Financing Proceeds for a period of approximately thirty (30) days, and then deploy such invested funds to prepay all outstanding Prior Obligations in accordance with the specific terms of the Escrow Agreement.

9. The City Council, with the aid of its staff, has reviewed the Site Lease, the Lease Agreement, and the Escrow Agreement, the forms of which are on file with the City Clerk, and the Council wishes at this time to approve the foregoing documents (collectively, the “Refinancing Documents”) as being in the public interests of the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE:

1. The foregoing Findings are adopted as findings of the City Council as though set forth fully herein.
2. The Mayor, Mayor Pro tempore, City Manager, Finance Director, City Clerk, and any other person authorized by the Council to act on behalf of the City shall each be an “Authorized Representative” of the City for the purposes of structuring and providing for the execution and delivery of the Refunding Documents, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the City, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the Refunding, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Council has approved in this Resolution.
3. The Council hereby authorizes and approves the lease of the Site and Facility to the Bank pursuant to the Site Lease. The Council hereby approves the Site Lease in substantially the form on file with the City Clerk and consents to such revisions, amendments and completions as shall be approved by the City. Any Authorized Representative of the City is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to, the final form of the Site Lease for and in the name and on behalf of the City and the execution thereof shall be conclusive evidence of the Council’s approval of any such additions and changes. The Council hereby authorizes the delivery and performance of the Site Lease.
4. The Council hereby authorizes and approves the sublease of the Site and Facility back from the Bank pursuant to the Lease Agreement. The Council hereby approves the Lease Agreement in substantially the form on file with the City Clerk and consents to such revisions, amendments, and completions as shall be approved by the City. Any Authorized Representative of the City is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to, the final form of the Lease Agreement for and in the name and on behalf of the City and the execution thereof shall be conclusive evidence of the Council’s approval of any such additions and changes. The Council hereby authorizes the delivery and performance of the Lease Agreement.
5. The Financing Proceeds received by the City from the Refunding shall be applied to pay off the entire balance of the City’s outstanding Prior Obligations. The Refunding shall be accomplished pursuant to the Escrow Agreement, in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by an Authorized Representative. The Council hereby authorizes and directs any Authorized Representative to execute and deliver said form of the Escrow

Agreement for and in the name of the City. The Council hereby authorizes the delivery and performance of the Escrow Agreement.

6. All actions heretofore taken by the officers and agents of the City with respect to the Refunding are hereby approved, confirmed and ratified. The Mayor, Mayor Pro tempore, City Manager, Finance Director, City Clerk, and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, including requisitions for the payment of costs of issuance, agreements, notices, consents, instruments of conveyance, title reports, insurance policies, warrants, and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the Refunding in accordance with the Refinancing Documents approved herein. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated and confirmed in a closing certificate by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.
7. The City Clerk shall certify to the adoption of this resolution. Notwithstanding the foregoing, such certification and any of the other duties and responsibilities assigned to the City Clerk pursuant to this resolution may be performed by an assistant to the City Clerk with the same force and effect as if performed by the City Clerk hereunder.
8. The Council hereby finds and determines that it has taken all of the foregoing actions, and made all of the foregoing findings, in full compliance with the law, and that all prior proceedings taken with respect to the Refunding were duly considered, and are hereby considered valid and in conformity with the requirements of law.
9. This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 20th day of August, 2014, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

BILL KAMPE, Mayor

ATTEST:

ANN CAMEL, Interim City Clerk

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney

RESOLUTION NO. 14-xxx

RESOLUTION AUTHORIZING THE AMENDMENT OF SPECIAL COUNSEL SERVICES AGREEMENT AND APPOINTING PLACEMENT AGENT IN CONNECTION WITH THE REFUNDING OF THE OUTSTANDING 2004 CERTIFICATES OF PARTICIPATION

FINDINGS

1. The City have heretofore issued 2004 Golf Course Certificates of Participation in the original amount of \$3,960,000, which are presently outstanding in the approximate aggregate principal amount of \$3,220,000 (the “Prior Obligations”), the proceeds of which were used to finance certain additions, betterments, extensions and improvements to the City’s Golf Course (the “Golf Course”).
2. The City Council, on February 6, 2013, expressed its desire to refund the Prior Obligations (the “Refunding”), and retained The Weist Law Firm as bond counsel (the “Bond Counsel”) pursuant to a fee agreement, dated February 6, 2013 (the “Agreement”), to take legal action and to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary and customary in connection with the refunding of the Prior Obligations.
3. Mid-way through the Refunding process, the City determined that it was in the best interest of the City to lease the Golf Course to a private company specializing in golf course management and operations (the “Management Lease”).
4. The Management Lease unavoidably requires the City to take all appropriate action necessary to convert the tax status of the Prior Obligations from tax-exempt to taxable.
5. City staff has worked with the City Attorney and Bond Counsel to develop a legal financing structure that accomplishes the Refunding on taxable basis, while still providing savings to the City, and given the time constraints and the taxable status of the Refunding transaction Bond Counsel was directed to simultaneously prepare for both a private placement and a public offering in order to preserve ultimate flexible to choose either option, which now requires that the Agreement be modified in accordance with the Amendment to Agreement for Special Counsel Service attached hereto (the “Amendment”).
6. As prerequisite to preparing for a potential private placement, the Council desires to appoint Southwest Securities Inc. as placement agent (the “Placement Agent”) in connection with the Refunding of the Prior Obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE:

1. The foregoing Findings are adopted as findings of the City Council as though set forth fully herein.
2. The Mayor, Mayor Pro tempore, City Manager, Budget and Finance Manager, City Clerk and any other person authorized by the Council to act on behalf of the City shall each be an “Authorized Representative” of the City for the purposes of structuring and providing for the Refunding of the Prior Obligations, and are hereby authorized, jointly and severally, for and in the name of and on behalf of

the City, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the Refunding, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Council has approved in this Resolution.

3. The Council hereby authorizes and approves the Amendment in substantially the form on file with the City Clerk and consents to such revisions, amendments and completions as shall be approved by the City. The City Manager is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of the Amendment for and in the name and on behalf of the City and the execution thereof shall be conclusive evidence of the Council's approval of any such additions and changes.
4. The Council hereby appoints Southwest Securities as Placement Agent, in connection with the Refunding proceedings described in this Resolution. An Authorized Representative is authorized and directed to execute an agreement with Placement Agent in the form on file with the City Clerk. As provided in such agreement compensation payable to Placement Agent is entirely contingent upon the successful completion of the Refunding proceedings.
5. The City Clerk shall certify to the adoption of this resolution. Notwithstanding the foregoing, such certification and any of the other duties and responsibilities assigned to the City Clerk pursuant to this resolution may be performed by an Assistant City Clerk with the same force and effect as if performed by the City Clerk hereunder.
6. The Council hereby finds and determines that it has taken all of the foregoing actions, and made all of the foregoing findings, in full compliance with the law, and that all prior proceedings taken with respect to the Refunding were duly considered, and are hereby considered valid and in conformity with the requirements of law.
7. This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 20th day of August, 2014, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

BILL KAMPE, Mayor

ATTEST:

ANN CAMEL, Interim City Clerk

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney

AMENDMENT TO AGREEMENT FOR SPECIAL COUNSEL SERVICES

THIS AMENDMENT is made and entered into as of the 1st day of August, 2014 by and between the City of Pacific Grove (the “City”), whose address is 300 Forest Avenue, Pacific Grove, CA 93950, and The Weist Law Firm (the “Bond Counsel”), whose address is 108 Whispering Pines Drive, Suite 235, Scotts Valley, CA 95066.

Section 2 of the Agreement for Special Counsel Service (the “Agreement”), dated as of February 6, 2013 by and between the City and Bond Counsel, relating to the refunding (the “Refunding”) of the City’s remaining outstanding principal balance of Series 2004 Certificates of Participation (Golf Course Project), in the original aggregate amount of \$3,960,000 (the “2004 Golf Course Obligations,” is hereby amended to read:

Section 2. Compensation.

- A. Legal Fees for Bond Counsel Services if Privately or Publically Placed. For all bond counsel services rendered in connection with the Refunding of the Prior Obligations and the corresponding issuance of the 2013 Refunding Obligations offered on a private placement basis, our fee shall be a contingent flat fee of \$59,375, plus one percent (1%) of the principal amount of such transaction. Payment of said amount shall be entirely contingent upon the successful placement of such 2013 Refunding Obligations.

- B. Out-of-Pocket Expenses. In addition to the legal fees, Bond Counsel shall be reimbursed its normal and customary out-of-pocket expenses, including travel (which includes an out of office fee of \$450 for each day of travel) and customary mileage rates; parking charges and bridge tolls as incurred, photocopies at forty-five cents per page, transcript preparation and distribution; telephone and facsimile charges as incurred, and postage and express delivery charges as incurred, with a cap of \$2,750.

All other terms of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers and representatives thereto duly authorized, all as of the day and year first above written.

CITY OF PACIFIC GROVE

THE WEIST LAW FIRM

By: _____
Thomas Frutchet, City Manager

By: _____
Cameron A. Weist, Esq.

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney

RECORDING REQUESTED BY:)
City of Pacific Grove)
)
WHEN RECORDED MAIL TO:)
The Weist Law Firm)
108 Whispering Pines Drive, Suite 235)
Scotts Valley, California 95066)
Attn: Cameron A. Weist)
)

(DO NOT WRITE ABOVE LINE - SPACE FOR RECORDERS USE ONLY)

THIS DOCUMENT IS RECORDED FOR THE BENEFIT OF THE CITY OF PACIFIC GROVE. THIS TRANSACTION IS EXEMPT FROM DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

SITE AND FACILITY LEASE

by and between

CITY OF PACIFIC GROVE, CALIFORNIA
as Lessor

And

UMPQUA BANK,
as Lessee

Dated as of August 1, 2014

SITE AND FACILITY LEASE

THIS SITE AND FACILITY LEASE (this “Site and Facility Lease”), dated as of August 1, 2014, is by and between the **CITY OF PACIFIC GROVE**, a municipal corporation duly organized and existing under and by virtue of the laws of the State of California (the “City”), as lessor, and the **UMPQUA BANK**, an Oregon State Chartered Bank (the “Bank”), as lessee;

WITNESSETH:

WHEREAS, the City has previously entered into an Installment Sale Agreement, dated as of August 1, 2004, (the “2004 Installment Agreement”) with the Public Property Financing Corporation of California, for the primary purpose of financing capital improvements to the City’s Golf Course (the “2004 Project”); and

WHEREAS, pursuant to this Site and Facility Lease, the City proposes to lease those certain parcels of real property situated in the City of Pacific Grove, Monterey County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (the “Site”), and those certain improvements thereon, more particularly described in Exhibit B hereto (the “Facility” and, with the Site, the “Property”), to the Bank, all for the purpose of enabling the City to (a) refinance the 2004 Installment Agreement and the 2004 Project; and

WHEREAS, the Bank proposes to lease the Property back to the City pursuant to that certain Lease Agreement, dated as of August 1, 2014, a memorandum of which is recorded in the Office of the County Recorder of the County of Monterey (the “County Recorder”) concurrently herewith (the “Lease Agreement”); and

WHEREAS, the City possesses statutory authority to lease the Property and its governing body has duly authorized the execution and delivery of the Lease Agreement and this Site and Facility Lease; and

NOW THEREFORE, for and in consideration of the premises and covenants and conditions hereinafter contained, the parties agree as follows:

Section 1. Definitions. Capitalized terms used, but not otherwise defined, in this Site and Facility Lease shall have the meanings ascribed to them in the Lease Agreement.

Section 2. Site and Facility Lease. The City hereby leases to the Bank and the Bank hereby leases from the City, on the terms and conditions hereinafter set forth, the Property.

Section 3. Term. The term of this Site and Facility Lease shall commence on the date of recordation of this Site and Facility Lease in the Office of the County Recorder, and shall end on August 1, 2030, unless such term is extended or sooner terminated as hereinafter provided. If, on August 1, 2030, the aggregate amount of Lease Payments (as defined in and as payable under the Lease Agreement) shall not have been paid by reason of abatement, default or otherwise, or provision shall not have been made for their payment in accordance with the Lease Agreement, then the term of this Site and Facility Lease shall be extended until such Lease Payments shall be fully paid or provision made for such payment, but in no event later than August 1, 2040. If, prior to

August 1, 2040, all Lease Payments shall be fully paid or provision made for such payment in accordance with the Lease Agreement, the term of this Site and Facility Lease shall end.

Section 4. Advance Rental Payment. The City agrees to lease the Property to the Bank in consideration of the payment by the Bank of an advance rental payment of \$_____.

Section 5. Purpose. The Bank shall use the Property solely for the purpose of leasing the Property to the City pursuant to the Lease Agreement and for such purposes as may be incidental thereto; provided, however, that in the event of default by the City under the Lease Agreement, the Bank and its assigns may exercise the remedies provided in the Lease Agreement.

Section 6. City's Interest in the Property. The City covenants that it is the owner in fee of the Property.

Section 7. Assignments and Subleases. Unless the City shall be in default under the Lease Agreement, the Bank may not assign its rights under this Site and Facility Lease or sublet the Property, except as provided in the Lease Agreement. If the City is in default under the Lease Agreement, the Bank (including its successors and assigns under the Lease Agreement) may fully and freely assign and sublease the Property or any portion thereof, subject to this Site and Facility Lease.

Section 8. Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 9. Termination. The Bank agrees, upon the termination of this Site and Facility Lease, to quit and surrender the Property in the same good order and condition as the same were in at the time of commencement of the term hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements and structures existing upon the Site at the time of the termination of this Site and Facility Lease shall remain thereon and title thereto shall vest in the City.

Section 10. Default. In the event the Bank shall be in default in the performance of any obligation on its part to be performed under the terms of this Site and Facility Lease, which default continues for 30 days following notice and demand for correction thereof to the Bank, the City may exercise any and all remedies granted by law, except that no merger of this Site and Facility Lease and of the Lease Agreement shall be deemed to occur as a result thereof and the City shall have no right to terminate this Site and Facility Lease as a remedy for such default. Notwithstanding the foregoing, so long as the Lease Agreement remains in effect, the City will continue to pay the Lease Payments to the Assignee.

In the event of the occurrence of an Event of Default under the Lease Agreement, the Bank may (a) exercise the remedies provided in the Lease Agreement, (b) use the Property for any lawful purpose, subject to any applicable legal limitations or restrictions, and (c) exercise all options provided herein.

Section 11. Quiet Enjoyment. The Bank, at all times during the term of this Site and Facility Lease, shall peaceably and quietly have, hold and enjoy all of the Property subject to the provisions of the Lease Agreement.

Section 12. Waiver of Personal Liability. All liabilities under this Site and Facility Lease on the part of the Bank are solely liabilities of the Bank and the City hereby releases each and every director, officer, employee and agent of the Bank of and from any personal or individual liability under this Site and Facility Lease. No director, officer, employee or agent of the Bank shall at any time or under any circumstances be individually or personally liable under this Site and Facility Lease for anything done or omitted to be done by the Bank hereunder.

Section 13. Taxes. All assessments of any kind or character and all taxes, including possessory interest taxes, levied or assessed upon the Property or the Bank's interest in the Property created by this Site and Facility Lease (including both land and improvements) will be paid by the City in accordance with the Lease Agreement.

Section 14. Eminent Domain. In the event the whole or any part of the Property is taken by eminent domain proceedings, the interest of the Bank shall be recognized and is hereby determined to be the amount of the then unpaid principal component of the Lease Payments, any then unpaid interest component of the Lease Payments and any premium due with respect to the prepayment of Lease Payments to the date such amounts are remitted to the Bank or its assignee, and, subject to the provisions of the Lease Agreement, the balance of the award, if any, shall be paid to the City. The City hereby waives, to the extent permitted by law, any and all rights that it has or may hereafter have to acquire the interest of the Bank in and to the Property through the eminent domain powers of the City. However, the City hereby agrees, to the extent permitted by law, that the compensation to be paid in any condemnation proceedings brought by or on behalf of the City with respect to the Property shall be in an amount not less than the total unpaid principal component of Lease Payments, the interest component of Lease Payments accrued to the date of payment of all Lease Payments and any premium due with respect to the prepayment of Lease Payments under the Lease Agreement.

Section 15. Use of the Proceeds. The City and the Bank hereby agree that the lease to the Bank of the City's right and interest in the Property pursuant to Section 2 serves the public purposes of the City.

Section 16. Partial Invalidity. If any one or more of the terms, provisions, covenants or conditions of this Site and Facility Lease shall, to any extent, be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding, order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site and Facility Lease shall be affected thereby, and each provision of this Site and Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 17. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid, at the

addresses set forth in the Lease Agreement, or to such other addresses as the respective parties may from time to time designate by notice in writing.

Section 18. Binding Effect. This Site and Facility Lease shall inure to the benefit of and shall be binding upon the City and the Bank and their respective successors and assigns. The Assignee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

Section 19. Amendment. This Site and Facility Lease may not be amended except as permitted under the Lease Agreement.

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

Section 21. Applicable Law. This Site and Facility Lease shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in California.

Section 22. No Merger. Neither this Site and Facility Lease, the Lease Agreement nor any provisions hereof or thereof shall be construed to effect a merger of the title of the City to the Property under this Site and Facility Lease and the City's leasehold interest therein under the Lease Agreement.

Section 23. Execution in Counterparts. This Site and Facility Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same instrument.

* * * * *

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

CITY OF PACIFIC GROVE

By _____

Attest:

UMPQUA BANK

By _____

EXHIBIT A

DESCRIPTION OF THE SITE

All that certain real property situated in the City of Pacific Grove, Monterey County, State of California, described as follows:

EXHIBIT B
DESCRIPTION OF THE FACILITY

§ _____
LEASE AGREEMENT
dated as of August 1, 2014,
by and between Umpqua Bank, as Sublessor, and
the City of Pacific Grove, California, as Sublessee,

CERTIFICATE OF ACCEPTANCE OF SITE AND FACILITY LEASE

This is to certify that the interest in real property conveyed by the Site and Facility Lease, dated as of August 1, 2014, from the City of Pacific Grove, California, as lessor, to the Umpqua Bank (the "Bank"), as lessee, is hereby accepted by the undersigned officer on behalf of the Bank, pursuant to authority conferred by resolution of the Board of Directors of the Bank, and the lessee consents to recordation thereof by its duly authorized officer.

Dated: August __, 2014

UMPQUA BANK

By _____

RECORDING REQUESTED BY:)
 City of Pacific Grove)
)
WHEN RECORDED MAIL TO:)
 The Weist Law Firm)
 108 Whispering Pines Drive, Suite 235)
 Scotts Valley, California 95066)
 Attn: Cameron A. Weist)
)

(DO NOT WRITE ABOVE LINE - SPACE FOR RECORDERS USE ONLY)

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

MEMORANDUM OF LEASE AGREEMENT

This Memorandum of Lease Agreement (this “Memorandum of Lease Agreement”), is entered into as of August 1, 2014, by and between the UMPQUA BANK, an Oregon State Chartered Bank, as lessor (the “Bank”), and the CITY OF PACIFIC GROVE, a general law city and municipal corporation duly organized and existing under the laws of the State of California, as lessee (the “City”), who agree as follows:

Section 1. The Lease. The City leases from the Bank and the Bank leases to the City, certain real property described in paragraph 2 hereof, and the improvements situated upon said real property, upon the terms and conditions, and for the term, more fully set forth in the Lease Agreement, dated as of August 1, 2014, by and between the Bank, as lessor, and the City, as lessee (the “Lease Agreement”), all of the provisions of which are hereby incorporated into this Memorandum of Lease Agreement by reference.

Section 2. Leased Premises; Term. The Bank leases, lets and demises unto the City and the City leases, hires and takes from the Bank, those certain parcels of real property situated in the City of Pacific Grove, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (collectively, the “Site”), and those certain improvements on the Site, more particularly described in Exhibit B attached hereto and made a part hereof (the “Facility”). The Lease Agreement is for a term commencing on the date of recordation of this Memorandum of Lease Agreement and ending on August 1, 2030, or such earlier or later date on which the Lease Payments (as defined in the Lease Agreement) are paid in full or provision has been made for such payment in accordance with the Lease Agreement.

Section 3. Provisions Binding on Successors and Assigns. Subject to the provisions of the Lease Agreement relating to assignment and subletting, the Lease Agreement shall inure to the benefit of and shall be binding upon the Bank and the City and their respective successors and assigns, including the Bank.

Section 4. Purpose of Memorandum. This Memorandum of Lease Agreement is prepared for the purpose of recordation, and it in no way modifies the provisions of the Lease Agreement.

Section 5. Execution. This Memorandum of Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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

UMPQUA BANK

By _____

CITY OF PACIFIC GROVE

By _____

Attest:

EXHIBIT A

DESCRIPTION OF THE SITE

All that certain real property situated in the City of Pacific Grove, Monterey County, State of California, described as follows:

EXHIBIT B
DESCRIPTION OF THE FACILITY

LEASE AGREEMENT

by and between

UMPQUA BANK,
as Sublessor

And

CITY OF PACIFIC GROVE, CALIFORNIA,
as Sublessee

Dated as of August 1, 2014

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LEASE AGREEMENT

THIS LEASE AGREEMENT (this “Lease” or “Lease Agreement”), dated as of August 1, 2014, is by and between the **UMPQUA BANK**, an Oregon State Chartered Bank, as lessor (the “Bank”), and the **CITY OF PACIFIC GROVE**, a municipal corporation, duly organized and existing under and by virtue of the laws of the State of California, as lessee (the “City”);

WITNESSETH:

WHEREAS, the City has previously entered into an Installment Sale Agreement, dated as of August 1, 2004, (the “2004 Installment Agreement”) with Public Property Financing Corporation of California (the “Authority”), and contemporaneously issued its 2004 Golf Course Certificates of Participation in the original amount of \$3,960,000, which are presently outstanding in the approximate aggregate principal amount of \$3,220,000 (the “Prior Obligations”) for the primary purpose of financing capital improvements to the City’s Golf Course (the “2004 Project”); and

WHEREAS, the City, pursuant to (i) a certain indenture of trust agreement, dated as of August 1, 2004, by and among the Public Property Financing Corporation of California (the “Corporation”), the City and the Prior Trustee (the “Prior Trust Agreement”), and (ii) a certain installment sale agreement, dated as August 1, 2004, by and between the City and the Corporation (the “Prior Installment Sale Agreement,” and together with the Prior Trust Agreement, the “Prior Obligation Documents”), authorized, issued, sold and delivered its municipal bond obligations designated the “City of Pacific Grove, 2014 Certificates of Participation (Golf Course Project),” issued on August 5, 2004 in the aggregate, original principal amount of \$3,960,000 (the “Prior Obligations”) pursuant to the provisions of the Prior Obligation Documents”); and

WHEREAS, pursuant to that certain Site and Facility Lease, dated as of August 1, 2014 (the “Site and Facility Lease”), the City has leased those certain parcels of real property situated in the City of Pacific Grove, Monterey County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (the “Site”), and those certain improvements thereon, more particularly described in Exhibit B hereto (the “Facility” and, with the Site, the “Property”), to the Bank, all for the purpose of enabling the City to refinance the 2004 Installment Agreement and the 2004 Project; and

WHEREAS, the Bank proposes to lease the Property back to the City pursuant to this Lease Agreement; and

WHEREAS, in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Property during each Rental Period under this Lease Agreement, the City agrees to make certain Lease Payments (as hereinafter defined); and

WHEREAS, the City and the Bank have agreed to enter into this Lease Agreement providing for Lease Payments with an aggregate principal component in the amount of \$_____ for the purpose of prepaying and defeasing the Prior Obligations in accordance with the irrevocable instructions set forth in the Escrow Agreement; and

WHEREAS, the City and the Bank agree to mutually cooperate now and hereafter, to the extent possible, in order to sustain the intent of this Lease Agreement and the bargain of both parties hereto.

AGREEMENT

NOW, THEREFORE, for and in consideration of the premises and the covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

Section 1.01. Definitions. All terms defined in this Section 1.01 have the meanings herein specified for all purposes of this Lease Agreement.

“Additional Payments” means the amounts specified as such in Section 4.03(b) of this Lease Agreement.

“Applicable Environmental Laws” means and shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), 42 USC Sections 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC Sections 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sections 1251 et seq.; the Clean Air Act, 42 USC Sections 7401 et seq.; the California Hazardous Waste Control Law (“HWCL”), California Health & Safety Code Sections 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), California Health & Safety Code Sections 25300 et seq.; the Porter- Cologne Water Quality Control Act (the “Porter-Cologne Act”), California Water Code Sections 1300 et seq.; the Air Resources Act, California Health & Safety Code Sections 3900 et seq.; the Safe Drinking Water & Toxic Enforcement Act, California Health & Safety Code Sections 25249.5 et seq.; and the regulations under each thereof; and any other local, state, and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern:

- (a) the existence, cleanup, and/or remedy of contamination on property;
- (b) the protection of the environment from spilled, deposited, or otherwise emplaced contamination;
- (c) the control of hazardous wastes; or
- (d) the use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials.

“Bank” means Umpqua Bank, an Oregon State Chartered Bank, and any other successor or any other entity to whom the rights of the Bank hereunder are assigned.

“Bond Counsel” means (a) The Weist Law Firm, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

“*Business Day*” means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State.

“*City*” means the City of Pacific Grove, California, a municipal corporation and general law city organized and existing under the laws of the State.

“*City Manager*” means the City Manager of the City, or any other person designated by the City Manager to act on behalf of the City Manager.

“*City Representative*” means the Mayor, the City Manager, the Finance Director, or the designee of any such official, or any other person authorized by resolution delivered to the Bank to act on behalf of the City under or with respect to the Site and Facility Lease and this Lease Agreement.

“*Closing Date*” means the date this Lease Agreement or a memorandum thereof is recorded in the office of the County Recorder of the County of Monterey.

“*Contract*” means any indenture, trust agreement, contract, agreement (other than this Lease Agreement), other contractual restriction, lease, mortgage or instrument.

“*Costs of Issuance*” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the execution and delivery of this Lease Agreement, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Escrow Agent (which shall include any associated legal fees), legal fees and charges, insurance fees and charges, financial and other professional consultant fees, and fees for execution, transportation and safekeeping of this Lease Agreement and charges and fees in connection with the foregoing.

“*County*” means the County of Monterey, California.

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

“*Escrow Agreement*” means the Escrow Agreement, dated as of August 1, 2014, by and between the City and the Escrow Agent.

“*Event of Default*” means any of the events of default as defined in Section 8.01.

“*Facility*” means those certain existing facilities more particularly described in Exhibit B to the Site and Facility Lease and in Exhibit B to this Lease Agreement.

“*Fair Market Value*” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for

example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security – State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

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

“*Fiscal Year*” means each twelve-month period during the Term of this Lease Agreement commencing on July 1 in any calendar year and ending on June 30 in the next succeeding calendar year, or any other twelve-month period selected by the City as its fiscal year period.

“*Governmental Authority*” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

“*Hazardous Substance*” means any substance that shall, at any time, be listed as “hazardous” or “toxic” in any Applicable Environmental Law or that has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Laws; and also means, without limitation, raw materials, building components, the products of any manufacturing, or other activities on the Property, wastes, petroleum, and source, special nuclear, or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC Sections 3011 et seq.).

“*Lease Agreement*” or “Lease” means this Lease Agreement, dated as of August 1, 2014, between the Bank and the City.

“*Lease Obligation*” means the obligation represented by this Lease Agreement.

“*Lease Obligation Proceeds*” means the \$_____ amount received by the City from the Bank on the Closing Date.

“*Lease Payment Date*” means February 1 and August 1 in each year, commencing February 1, 2015, and continuing to and including the date on which the Lease Payments are paid in full.

“*Lease Payments*” means all payments required to be paid by the City under Section 4.04, including any prepayment thereof under Sections 9.02 or 9.03.

“*Management Lease*” means that certain lease agreement dated _____, 2014, by and between the City and _____.

“*Material Adverse Effect*” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the City, (b) the ability of the City to carry out its business in the manner conducted as of the date of this Lease Agreement or to meet or perform its obligations under this Lease Agreement on a timely basis, or (c) the validity or enforceability of this Lease Agreement.

“*Material Litigation*” means any action, suit, proceeding, inquiry or investigation against the City in any court or before any arbitrator of any kind or before or by any Governmental Authority, which (i) if determined adversely to the City, may have a Material Adverse Effect, (ii) seeks to restrain or enjoin any of the transactions contemplated by this Lease Agreement, or (iii) may adversely affect the ability of the City to perform its obligations under this Lease Agreement.

“*Net Proceeds*” means any insurance or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

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

“*Prior Obligations*” means the 2004 Golf Course Certificates of Participation in the original amount of \$3,960,000, issued pursuant and in accordance with the Prior Obligation Documents, and presently outstanding in the approximate aggregate principal amount of \$3,220,000.

“*Prior Installment Sale Agreement*” means that certain installment sale agreement, dated as August 1, 2004, by and between the City and the Corporation, relating to the Prior Obligations.

“*Prior Trust Agreement*” means certain indenture of trust agreement, dated as of August 1, 2004, by and among the Public Property Financing Corporation of California (the “Corporation”), the City and the Prior Trustee.

“*Prior Trustee*” means BNY Western Trust Company (now doing business as The Bank of New York Mellon Trust Company, N. A.), or any successor thereto acting as Prior Trustee pursuant to the Prior Trust Agreement.

“*Property*” means, collectively, the Site and the Facility.

“*Rental Period*” means each period during the Term of the Lease commencing on and including August 2 in each year and extending to and including the next succeeding August 1. The first Rental Period begins on the Closing Date and ends on August 1, 2015.

“*Site*” means that certain real property more particularly described in Exhibit A to the Site and Facility Lease and in Exhibit A to this Lease Agreement.

“*Site and Facility Lease*” means the Site and Facility Lease, dated as of August 1, 2014, by and between the City, as lessor, and the Bank, as lessee, together with any duly authorized and executed amendments thereto.

“*State*” means the State of California.

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

“*Term of this Lease Agreement*” or “*Term*” means the time during which this Lease Agreement is in effect, as provided in Section 4.02.

“*2004 Installment Agreement*” means that certain Installment Sale Agreement, dated as of August 1, 2004, by and between Public Property Financing Corporation of California and the City.

Section 1.02. Interpretation.

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

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

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

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

Section 2.01. Covenants, Representations and Warranties of the City. The City makes the following covenants, representations and warranties to the Bank as of the date of the execution and delivery of this Lease Agreement:

(a) ***Due Organization and Existence.*** The City is a municipal corporation and general law city, duly organized and existing under and by virtue of the laws of the State,

has full legal right, power and authority under the laws of the State to enter into the Site and Facility Lease and this Lease Agreement and to carry out and consummate all transactions on its part contemplated hereby and thereby, and by proper action the City has duly authorized the execution and delivery by the City of the Site and Facility Lease and this Lease Agreement.

(b) ***Due Execution.*** The representative of the City executing the Site and Facility Lease and this Lease Agreement has been fully authorized to execute the same by a resolution duly adopted by the City Council of the City.

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

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

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

(f) ***No Litigation.*** There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on the City or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a Material Adverse Effect upon the consummation of the transactions contemplated by or the validity of the Site and Facility Lease and this Lease Agreement, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement.

(g) **Sufficient Funds.** The City reasonably believes that sufficient funds can be obtained to make all Lease Payments and all other amounts required to be paid pursuant to this Lease Agreement.

(h) **No Defaults.** The City has never non-appropriated or defaulted under any of its payment or performance obligations or covenants, either under any financing lease of the same general nature as this Lease Agreement, or under any of its bonds, notes, or other debt obligations.

(i) **Fee Title.** The City is the owner in fee of title to the Property. No lien or encumbrance on the Property materially impairs the City's use of the Property for the purposes for which it is, or may reasonably be expected to be, held.

(j) **Use of the Property, Essentiality.** During the term of this Lease Agreement, the Property will be used by the City only for the purpose of performing one or more governmental or proprietary functions of the City consistent with the permissible scope of the City's authority. The Property is essential to the City's efficient and economic operations and the lease thereof for use by the City is in the best interest of the City.

(k) **Hazardous Substances.** The Property is free of all Hazardous Substances, and the City is in full compliance with all Applicable Environmental Laws.

(l) **Flooding Risk.** The Property is not located in a flood hazard area and has never been subject to material damage from flooding.

(m) **Value of Property.** The value of the Property (real property replacement cost) is not less than \$_____.

(n) **Financial Statements.** The statement of financial position of the City as of June 30, 2013, and the related statement of activities and statement of cash flows and changes in financial position for the year then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the City at such date and for such period, and were prepared in accordance with generally accepted accounting principles. Since the period of such statements, there has been no (i) change which would have a Material Adverse Effect and (ii) no material increase in the indebtedness of the City.

(o) **No Material Adverse Change.** Since the most current date of the information, financial or otherwise, supplied by the City to the Bank:

(i) There has been no change in the assets, liabilities, financial position or results of operations of the City which might reasonably be anticipated to cause a Material Adverse Effect.

(ii) The City has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect.

(iii) The City has not (A) incurred any material indebtedness, other than the Lease Payments, and trade accounts payable arising in the ordinary course of the City's business and not past due, or (B) guaranteed the indebtedness of any other person.

(p) ***Accuracy of Information.*** All information, reports and other papers and data furnished by the City to the Bank were, at the time the same were so furnished, complete and accurate in all material respects and insofar as necessary to give the Bank a true and accurate knowledge of the subject matter and were provided in expectation of the Bank's reliance thereon in entering into the transactions contemplated by this Lease Agreement. No fact is known to the City which has had or, so far as the City can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the financial statements previously furnished to the Bank or in other such information, reports, papers and data or otherwise disclosed in writing to the Bank prior to the Closing Date. Any financial, budget and other projections furnished to the Bank by the City or its or their agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the City's best estimate of its future financial performance. No document furnished nor any representation, warranty or other written statement made to the Bank in connection with the negotiation, preparation or execution of this Lease Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.

Section 2.02. Covenants, Representations and Warranties of the Bank. The Bank makes the following covenants, representations and warranties to the City as of the date of the execution and delivery of this Lease Agreement:

(a) the Bank has been duly organized and is validly existing as a banking corporation under the laws of the State of Oregon with full corporate power to enter into and undertake its duties and obligations hereunder and has sufficient knowledge and experience in financial and business matters, including purchase and ownership of tax-exempt municipal obligations, to be able to evaluate the economic risks and merits of the investment represented by the Lease;

(b) the Bank is a "bank" as defined in Section 3(a)(2) of the Securities Act of 1933, as amended;

(c) the execution, delivery and performance of this Lease and the Site Lease have been duly authorized by all necessary corporate actions on the part of the Bank and do not require any further approvals or consents;

(d) the execution, delivery and performance of this Lease and the Site Lease do not and will not result in any breach of or constitute a default under any indenture, mortgage, contract, agreement or instrument to which the Bank is a party by which it or its property is bound;

(e) there is no pending or, to the knowledge of the Bank, threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of the Bank to perform its obligations under this Lease and the Site Lease;

(f) the Bank will not mortgage or encumber the Property or the Lease or assign this Lease or its rights to receive Rental Payments hereunder, except as expressly permitted herein or in the Site Lease;

(g) the Bank has made its own inquiry and analysis with respect to the Lease and the security therefor, and other material factors affecting the security and payment of the Rental Payments;

(h) the Bank is aware that the operations of the City involve certain economic variables and risks that could adversely affect the security for the Lease and the Bank is able and willing to bear such risks;

(i) the Bank has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations of a nature similar to the Lease and is able to evaluate the risks and merits of the investment represented by entering into this Lease;

(j) the Bank is entering into the Lease for its own account and not with a view to, or for sale in connection with, any distribution of the Lease of any part thereof. The Bank has not offered to sell, solicited offers to buy, or agreed to sell the Lease of any part thereof, and has no present intention of reselling or otherwise disposing of this Lease;

(k) the Bank acknowledges that the Lease has not been registered with any federal or state securities agency or commission; and

(l) the Bank will deliver to the City a certificate substantially in the form set forth in Exhibit D attached hereto.

ARTICLE III

DEPOSIT AND APPLICATION OF FUNDS

Section 3.01. Deposit of and Application of Funds. On the Closing Date, the Bank shall cause a portion of the Lease Obligation Proceeds in the amount of \$_____ to be set-aside and applied by the Lender, in accordance with a Written Request of the District, to pay the Costs of Issuance, and shall cause the balance of the Lease Obligation Proceeds in the amount of \$_____ to be transferred, via wire transfer, to the Escrow Agent to be deposited and applied pursuant to the terms of an Escrow Agreement.

Section 3.02. Termination of Prior Obligations. As a result of the deposits made to, and in accordance with, the terms and conditions of the Escrow Agreement, the Prior Obligations have been discharged and terminated in accordance with terms of the Prior Obligation Documents.

ARTICLE IV

LEASE OF PROPERTY; LEASE PAYMENTS

Section 4.01. Sublease of Property by the Bank Back to the City.

(a) The Bank hereby subleases the Property to the City, and the City hereby subleases the Property from the Bank, upon the terms and conditions set forth in this Lease Agreement.

(b) The leasing of the Property by the City to the Bank pursuant to the Site and Facility Lease shall not affect or result in a merger of the City's subleasehold estate pursuant to this Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Section 4.02. Term. The Term of this Lease Agreement commences on the date of recordation of this Lease Agreement or a memorandum hereof and ends on August 1, 2030, or the date on which all of the Lease Payments have been paid in full. If on August 1, 2030, the Lease Payments payable hereunder shall have been abated at any time and for any reason and not otherwise paid from rental interruption insurance or other sources, or the City shall have defaulted in its payment of Lease Payments hereunder or any Event of Default has occurred and continues without cure by the City, then the term of this Lease Agreement shall be extended for the actual period of abatement or for so long as the default remains uncured, as necessary to accommodate the final payment of all Lease Payments due hereunder, not to exceed 10 years. The provisions of this Section 4.02 are subject to the provisions of Section 6.01 relating to the taking in eminent domain of the Property or any portion thereof.

Section 4.03. Lease Payments.

(a) **Obligation to Pay.** Subject to the provisions of Sections 6.01 and 6.03 and the provisions of Article IX, the City agrees to pay to the Bank, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Exhibit C attached hereto (including any supplements thereto) and by this reference incorporated herein, to be due and payable in immediately available funds on each of the respective Lease Payment Dates specified in Exhibit C. The Lease Payments payable in any Rental Period with respect to the Property shall be for the use of the Property during such Rental Period. The interest components of the Lease Payments have been calculated based on an interest rate of % per annum, on the basis of a 360-day year of twelve 30-day months. The City understands that the Bank will send an invoice to the City in advance of each Lease Payment Date.

(b) **Additional Payments.** In addition to the Lease Payments set forth herein, the City agrees to pay as Additional Payments all of the following:

(i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Property or upon any interest of the Bank therein or in this Lease Agreement; provided, however, the City may, at the City's expense and in its name, in good faith contest any such taxes and

assessments and, in the event of such contest, may permit such taxes and assessments to remain unpaid during the period of such contest and appeal therefrom unless the Bank shall notify the City that, in the opinion of Bond Counsel, by nonpayment of any such items, the interest of the Bank in the Property will be materially endangered or the Property, or any portion thereof, will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes and assessments or provide the Bank with full security against any loss which may result from nonpayment, in form satisfactory to the Bank;

(ii) insurance premiums, if any, on all insurance required under the provisions of Article V hereof;

(iii) any other reasonable fees, costs or expenses incurred by the Bank in connection with the execution, performance or enforcement of this Lease Agreement or any of the transactions contemplated hereby or related to the Property, including, without limitation, any amounts which may become due; provided, however, the City shall not be responsible for any costs incurred by the Bank associated with any assignment of this Lease Agreement; and

(iv) any amounts required to be paid as rebate to the United States pursuant to the Tax Certificate.

Amounts constituting Additional Payments payable hereunder shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from the Bank to the City stating the amount of Additional Payments then due and payable and the purpose thereof.

(c) ***Effect of Prepayment.*** If the City prepays all Lease Payments in full under Sections 9.02 or 9.03, the City's obligations under this Section will thereupon cease and terminate. If the City prepays the Lease Payments in part but not in whole under Section 9.03, the principal components of the remaining Lease Payments will be reduced on a pro rata basis; and the interest component of each remaining Lease Payment will be reduced on a pro rata basis.

(d) ***Rate on Overdue Payments.*** If the City fails to make any of the payments required in this Section 4.03, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the rate of 12% per annum or any lesser maximum legal rate.

(e) ***Fair Rental Value.*** The Lease Payments coming due and payable during each Rental Period constitute the total rental for the Property for such Rental Period, and will be paid by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments due during each Rental Period are not in excess of the fair rental value of the Property during such Rental Periods. In making this determination, consideration has been given to

the estimated fair market value of the Property, the estimated replacement cost of the Property, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

(f) **Source of Payments; Budget and Appropriation.** The Lease Payments are payable from any source of legally available funds of the City, subject to the provisions of Sections 6.01, 6.03 and 9.01. The City covenants to take such action as may be necessary to include all Lease Payments in each of its annual budgets during the Term of this Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The covenants on the part of the City herein contained constitute duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City.

(g) **Allocation of Lease Payments.** All Lease Payments received shall be applied first to the interest components of the Lease Payments due hereunder, then to the principal components of the Lease Payments due hereunder, but no such application of any payments that are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

(h) **No Offsets.** Notwithstanding any dispute between the Bank and the City, the City shall make all Lease Payments when due without deduction or offset of any kind and shall not withhold any Lease Payments pending the final resolution of such dispute.

(i) **Payments under this Lease Agreement.** The Bank hereby directs the City, and the City hereby agrees, to pay to the Bank (or to its assignees as directed pursuant to Section 7.04 hereof) all payments payable by the City under this Section 4.03 and all amounts payable by the City under Article IX. So long as the Loan is owned by Umpqua Bank, all principal and interest payments with respect to the Loan shall be made by wire transfer using the following wiring instructions (unless the District shall receive subsequent wiring instructions from Umpqua Bank):

Umpqua Bank
2998 Douglas Boulevard, Suite 100
Roseville, CA 95661
(916) 774-3937
ABA#: _____
For Credit to: Account Reference: Foresthill Public Utility District - Contact Melissa
Morgan at (916) 677-1152
Reference: City of Pacific Grove

Section 4.04. Quiet Enjoyment. Throughout the Term of this Lease Agreement, the Bank will provide the City with quiet use and enjoyment of the Property and the City will peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Bank, except as expressly set forth in this Lease Agreement. The Bank will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Bank may lawfully do so. Notwithstanding the foregoing, the Bank has

the right to inspect the Property as provided in Sections 5.12(c) and 7.02.

Section 4.05. Title. At all times during the Term of this Lease Agreement, the City shall hold title to the Property, including all additions which comprise fixtures, repairs, replacements or modifications thereto, subject to Permitted Encumbrances and subject to the provisions of Section 7.02.

Upon the termination of this Lease Agreement (other than under Section 8.02(b) hereof), all right, title and interest of the Bank in and to the Property shall be transferred to and vested in the City. Upon the payment in full of all Lease Payments allocable to the Property, or upon the deposit by the City of security for such Lease Payments as provided in Section 9.01, all right, title and interest of the Bank in and to the Property shall be transferred to and vested in the City. The Bank agrees to take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.01. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property are the sole responsibility of the City, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Bank agrees to provide only the Property, as hereinbefore more specifically set forth. The City waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the City under the terms of this Lease Agreement.

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

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

loss which may result from nonpayment, in form satisfactory to the Bank. The City shall promptly notify the Bank of any tax, assessment, utility or other charge it elects to contest.

Section 5.02. Modification of Property. The City has the right, at its own expense, to make additions, modifications and improvements to the Property or any portion thereof. All additions, modifications and improvements to the Property will thereafter comprise part of the Property and become subject to the provisions of this Lease Agreement. Such additions, modifications and improvements may not in any way damage the Property, or cause the Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto under this Section, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

Section 5.03. Public Liability Insurance. The City shall maintain or cause to be maintained throughout the Term of this Lease Agreement a standard comprehensive general liability insurance policy or policies in protection of the City, the Bank and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Such policy or policies must provide coverage with limits of at least \$1,000,000 per occurrence, \$3,000,000 in the aggregate, for bodily injury and property damage coverage, and excess liability umbrella coverage of at least \$5,000,000, and in all events in form and amount (including any deductibles) satisfactory to the Bank. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including, with Bank's prior written consent, a self insurance program), and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The City will apply the proceeds of such liability insurance toward extinguishment or satisfaction of the liability with respect to which such proceeds have been paid.

Section 5.04. Casualty Insurance. The City will procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, casualty insurance against loss or damage to all buildings situated on the Property and owned by the City, in an amount at least equal to the greater of the replacement value of the insured buildings and the aggregate principal amount of the Lease Payments outstanding, with a lender's loss payable endorsement. Such insurance must, as nearly as practicable, cover loss or damage by all "special form" perils. Such insurance shall be subject to a deductible of not to exceed \$250,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including, with the Bank's prior written consent, a self insurance program), and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The City will apply the Net Proceeds of such insurance as provided in Section 6.02.

Section 5.05. Rental Interruption Insurance. The City will procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property and the improvements situated thereon as a result of any of the hazards covered in the insurance required by Section 5.04, in an amount at least equal to the maximum Lease Payments coming due and payable during any future 24 month period. Such insurance may be maintained as part of or in

conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such rental interruption insurance shall not be self-insured by the City. The City will apply the Net Proceeds of such insurance towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Section 5.06. Worker's Compensation Insurance. If required by applicable California law, the City shall carry worker's compensation insurance covering all employees on, in, near or about the Property and, upon request, shall furnish to the Bank certificates evidencing such coverage throughout the Term of this Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including a self insurance program), and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance.

Section 5.07. Recordation Hereof; Title Insurance. On or before the Closing Date, the City shall, at its expense, (a) cause this Lease Agreement, the Site and Facility Lease and the Assignment Agreement, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Monterey County Recorder with respect to the Property, and (b) obtain a CLTA title insurance policy insuring the Bank's interests in the leasehold estate established under the Site and Facility Lease and hereunder in the Property, subject only to Permitted Encumbrances, in an amount equal to the original principal components of the Lease Payments. The City will apply the Net Proceeds of such insurance as provided in Section 6.02.

Section 5.08. Insurance Net Proceeds; Form of Policies. All insurance policies (or riders) required by this Article V and provided by third party insurance carriers shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State, and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least ten days before the cancellation or revision becomes effective. Each insurance policy or rider required by Sections 5.03, 5.04 and 5.05 and provided by third party insurance carriers shall name the City and the Bank as insured parties and the Bank as loss payee and shall include a lender's loss payable endorsement for the benefit of the Bank. In the case of coverage pursuant to Section 5.03, the Bank shall be added as an additional insured. Prior to the Closing Date, the City will deposit with the Bank policies (and riders and endorsements, if applicable) evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy (or rider), the City will furnish to the Bank evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article V unless such insurance is no longer obtainable, in which event the City shall notify the Bank of such fact.

Section 5.09. Installation of City's Personal Property. The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the City, in which the Bank has no interest, and may be modified or removed by the City at any time. The City must repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement prevents the City from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the

unpaid portion of the purchase price thereof, provided that no such lien or security interest may attach to any part of the Property.

Section 5.10. Liens. The City will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than as herein contemplated and except for such encumbrances as the City certifies in writing to the Bank do not materially and adversely affect the leasehold estate in the Property hereunder and for which the Bank provides its prior written approval, which approval shall be at Bank's sole discretion. Except as expressly provided in this Article V, the City will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The City will reimburse the Bank for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.11. Advances. If the City fails to perform any of its obligations under this Article V, the Bank may take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as additional rental hereunder, with interest at the rate set forth in Section 4.03(c).

Section 5.12. Environmental Covenants.

(a) ***Compliance with Laws; No Hazardous Substances.*** The City will comply with all Applicable Environmental Laws with respect to the Property and will not use, store, generate, treat, transport, or dispose of any Hazardous Substance thereon or in a manner that would cause any Hazardous Substance to later flow, migrate, leak, leach, or otherwise come to rest on or in the Property.

(b) ***Notification of Bank.*** The City will transmit copies of all notices, orders, or statements received from any governmental entity concerning violations or asserted violations of Applicable Environmental Laws with respect to the Property and any operations conducted thereon or any conditions existing thereon to the Bank, and the City will notify the Bank in writing immediately of any release, discharge, spill, or deposit of any Hazardous Substance that has occurred or is occurring that in any way affects or threatens to affect the Property, or the people, structures, or other property thereon, provided that no such notification shall create any liability or obligation on the part of the Bank.

(c) ***Access for Inspection.*** The City will permit the Bank, its agents, or any experts designated by the Bank to have full access to the Property during reasonable business hours for purposes of such independent investigation of compliance with all Applicable Environmental Laws, provided that the Bank has no obligation to do so, or any liability for any failure to do so, or any liability should it do so.

ARTICLE VI

EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.01. Eminent Domain. If all of the Property shall be taken permanently under the power of eminent domain or sold to a governmental entity threatening to exercise the power of

eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (a) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there shall be a partial abatement of Lease Payments in an amount equal to the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments hereunder, in an amount to be agreed upon by the City and the Bank such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Section 6.02. Application of Net Proceeds.

(a) ***From Insurance Award.***

(i) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the City in the event of any such damage or destruction shall be deposited by the City promptly upon receipt thereof in a special fund with the Bank designated as the "Insurance and Condemnation Fund."

(ii) Within 90 days following the date of such deposit, the City shall determine and notify the Bank in writing of its determination either (A) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the City and the Net Proceeds, together with other moneys available therefor, are sufficient to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to Section 9.03 hereof, or (B) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property and the fair rental value of the Property following such repair, restoration, replacement, modification or improvement will at least equal the unpaid principal component of the Lease Payments.

(iii) In the event the City's determination is as set forth in clause (A) of subparagraph (ii) above, such Net Proceeds shall be promptly applied to the prepayment of Lease Payments and other amounts pursuant to Section 9.03 of this Lease Agreement; provided, however, that in the event of damage or destruction of the Property in full, such Net Proceeds may be so applied only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments, all accrued and unpaid interest, Prepayment Premiums described in Section 9.02, and all other costs related to such prepayments pursuant to Section 9.03 of this Lease Agreement and otherwise such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Property; provided further, however, that in the event of damage or destruction of the Property in part, such Net Proceeds may be applied to the prepayment of Lease Payments only if the resulting Lease Payments following such prepayment from Net Proceeds represent fair consideration for the remaining portions of the Property and otherwise such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the

Property, evidenced by a certificate signed by a City Representative.

(iv) In the event the City's determination is as set forth in clause (B) of subparagraph (ii) above, such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the City, and until the Property has been restored to its prior condition, the City shall not place any lien or encumbrance on the Property that is senior to this Lease Agreement without the prior written consent of the Bank, at its sole discretion.

(b) ***From Eminent Domain Award.*** If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited by the City in the Insurance and Condemnation Fund and shall be applied and disbursed as follows:

(i) If the City has given written notice to the Bank of its determination that (A) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under this Lease Agreement, and (B) such proceeds are not needed for repair or rehabilitation of the Property, the City shall so certify to the Bank and the Bank, and the City shall credit such proceeds towards the prepayment of the Lease Payments pursuant to Section 9.03 of this Lease Agreement.

(ii) If the City has given written notice to the Bank and the Bank of its determination that (A) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under this Lease Agreement, and (B) such proceeds are needed for repair, rehabilitation or replacement of the Property, the City shall so certify to the Bank, and the City shall apply such amounts for such repair or rehabilitation.

(iii) If (A) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the City has given written notice to the Bank of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement or (B) all of the Property shall have been taken in such eminent domain proceedings, then the City shall credit such proceeds towards the prepayment of the Lease Payments pursuant to Section 9.03 of this Lease Agreement.

(iv) In making any determination under this Section 6.02(b), the City may, but shall not be required to, obtain at its expense, the report of an independent engineer or other independent professional consultant, a copy of which shall be filed with the Bank. Any such determination by the City shall be final.

(c) ***From Title Insurance.*** The Net Proceeds from a title insurance award shall be deposited by the City in the Insurance and Condemnation Fund and credited towards the

prepayment of Lease Payments required to be paid pursuant to Section 9.03 of this Lease Agreement.

Section 6.03. Abatement of Lease Payments. Lease Payments shall not be abated to the extent Revenues are sufficient to make regularly scheduled Lease Payments, but shall be abated (but only during a period in which the General Fund is required to make part or all of a regularly scheduled Lease Payment), by reason of damage or destruction, there is substantial interference with the use and occupancy by the City of the Property. The parties agree that the 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 Exhibit C, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon an appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as evidenced by a Certificate of a City Representative to the Bank. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the City waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.03 to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund are available to pay Lease Payments which would otherwise be abated under this Section 6.03, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

ARTICLE VII

OTHER COVENANTS OF THE CITY

Section 7.01. Disclaimer of Warranties. THE BANK MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROPERTY OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE CITY LEASES THE PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event is the Bank liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease Agreement for the existence, furnishing, functioning or use of the Property by the City.

Section 7.02. Access to the Property; Grant and Conveyance of Right of Entry. The City agrees that the Bank, and the Bank's successors or assigns, has the right at all reasonable times, following at least 48 hours written notice provided to the City, to enter upon and to examine and inspect (to the extent permitted by law and public policy) the Property or any part thereof. The City further agrees that the Bank, and the Bank's successors or assigns shall have such rights of access to the Property or any component thereof, following at least 48 hours written notice provided to the City, as may be reasonably necessary to cause the proper maintenance of the Property if the City fails to perform its obligations hereunder. Neither the Bank nor any of its assigns has any obligation to cause such proper maintenance.

The City further grants, conveys and confirms to the Bank, for the use, benefit and enjoyment of the Bank, its successors in interest to the Property, including the Bank, and its sublessees, and their respective employees, invitees, agents, independent contractors, patrons, customers, guests and members of the public visiting the Property, a right of entry which shall be irrevocable for the Term of this Lease Agreement over, across and under the property of the City adjacent to the Property to and from the Property for the purpose of: (a) ingress, egress, passage or access to and from the Property by pedestrian or vehicular traffic; (b) installation, maintenance and replacement of utility wires, cables, conduits and pipes; and (c) other purposes and uses necessary or desirable for access to and from and for operation and maintenance of the Property.

Section 7.03. Release and Indemnification Covenants. To the extent permitted by law, the City hereby indemnifies the Bank, and its directors, officers, agents, employees, successors and assigns against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Property by the City or the City's employees, agents, contractors, invitees or licensees, (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (d) any intentional misconduct or negligence of any sublessee of the City with respect to the Property, (e) the acquisition, construction, improvement and equipping of the Property, (f) the clean-up of any Hazardous Substances or toxic wastes from the Property, or (g) any claim alleging violation of any Applicable Environmental Laws, or the authorization of payment of the costs thereof. No indemnification is made under this Section 7.03 or elsewhere in this Lease Agreement for willful misconduct or gross negligence under this Lease Agreement by the Bank, or its respective officers, agents, employees, successors or assigns. The indemnification hereunder shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease Agreement or the termination of the Term of this Lease Agreement for any reason. The City and the Bank each agree to promptly give notice to each other and the Bank of any claim or liability hereby indemnified against following learning thereof.

Section 7.04. Assignment by the Bank. The Bank may assign its rights, title and interests herein, but no such assignment will be effective as against the City unless and until the Bank has filed with the City at least five Business Days' prior written notice thereof and an executed copy of an investor's letter addressed to the City and the Bank substantially in the form of the letter delivered by the Bank on the Closing Date attached hereto as Exhibit D. The City shall pay all Lease Payments hereunder to the Bank, as provided in Section 4.03(h) hereof, or under the written direction of the assignee named in the most recent assignment or notice of assignment filed with the City. During the Term of this Lease Agreement, the City will keep a complete and accurate record of all such notices of assignment.

Section 7.05. Assignment Agreement and Subleasing by the City. This Lease Agreement may not be assigned, mortgaged, pledged or transferred by the City. The Bank acknowledges and consents to the sublease of the pursuant to the Property Management Lease. The City may further sublease the Property, or any portion thereof, with the prior written consent of the Bank, at the Bank's sole discretion, subject to all of the following conditions:

(a) This Lease Agreement and the obligation of the City to make Lease Payments hereunder shall remain obligations of the City, and any sublease shall be subject and subordinate to this Lease Agreement.

(b) The City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Bank a true and complete copy of such sublease.

(c) No such sublease by the City may cause the Property to be used for a purpose other than as may be authorized under the provisions of the laws of the State.

(d) Any such sublease shall be subject and subordinate in all respects to the Site and Facility Lease and this Lease Agreement.

Notwithstanding the foregoing, in connection with any sublease entered into for financing purposes, the principal component of the then remaining Lease Payments plus the principal component of the sublease payments shall not exceed the fair market value of the Property.

Section 7.06. Amendment of Lease Agreement. This Lease Agreement may be amended in writing by the parties hereto.

Section 7.07. Reserved.

Section 7.08. Financial Statements; Budgets. Within 210 days following the end of each Fiscal Year of the City during the Term of this Lease Agreement, the City will provide the Bank with a copy of its audited financial statements for such Fiscal Year. Such audited financial statements shall include the City's Comprehensive Annual Financial Report ("CAFR"), including such information as is required by applicable Government Accounting Standards Board pronouncements and applicable State law. Within 30 days of the end of each fiscal year, the City will provide the Bank with a copy of its annual budget and any interim updates or modifications to such budget. The City hereby agrees to provide the Bank with such other information as may be reasonably requested by the Bank.

Section 7.09. Records and Accounts. The City covenants and agrees that it shall keep proper books of record and accounts of its operations, in which complete and correct entries shall be made of all transactions relating to the City. Said books and records shall at all reasonable times be subject to the inspection of the Bank upon 72 hours' prior notice.

Section 7.10. Observance of Laws and Regulations. The City will well and truly keep, observe and perform or cause to be kept, observed and performed all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired and enjoyed by the City, including the City's right to exist and carry on business as a municipal corporation, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 7.11. Notices. During the Term of this Lease Agreement, the City shall provide to the Bank:

(a) immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Lease Agreement, together with a detailed statement by a City representative of the steps being taken by the City to cure the effect of such Event of Default.

(b) prompt written notice of any Material Litigation, or any investigation, inquiry or similar proceeding by any Governmental Authority.

(c) with reasonable promptness, such other information respecting the City, and the operations, affairs and financial condition of the City as the Bank may from time to time reasonably request.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default Defined. Any one or more of the following events constitutes an Event of Default hereunder:

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

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the preceding clause (a) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Bank. However, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the Bank shall not unreasonably withhold their consent to an extension of such time (for a period not to exceed 60 days) if corrective action is instituted by the City within such 30-day period and diligently pursued until the default is corrected.

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

(d) Any statement, representation or warranty made by the City in or pursuant to this Lease Agreement or its execution, delivery or performance shall have been false, incorrect, misleading or breached in any material respect on the date when made.

(e) Any default occurs under any other agreement for borrowing money, lease financing of property or otherwise receiving credit under which the City is an obligor, if such default (i) arises under any other agreement for borrowing money, lease financing of property or provision of credit provided by the Bank or any affiliate of the Bank, or (ii)

arises under any obligation under which there is outstanding, owing or committed an aggregated amount in excess of \$500,000.

(f) Any default by the City to observe any covenant, condition or agreement on its part to be observed or performed under the Site and Facility Lease.

(g) Any court of competent jurisdiction shall find or rule that the Site and Facility Lease or this Lease Agreement is not valid or binding against the City.

(h) Any Material Adverse Effect shall exist.

Section 8.02. Remedies on Default. Whenever any Event of Default has happened and is continuing, the Bank may exercise any and all remedies available under law or granted under this Lease Agreement; provided, however, that notwithstanding anything herein to the contrary, there shall be a right to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Bank may exercise any and all rights granted hereunder; provided, that no termination of this Lease Agreement shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Bank may exercise any one or more of the following remedies:

(a) ***Enforcement of Payments Without Termination.*** If the Bank does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Bank for any deficiency arising out of the re-leasing of the Property, or, if the Bank is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of this 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 hereunder, notwithstanding such entry or re-entry by the Bank or any suit in unlawful detainer, or otherwise, brought by the Bank for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Bank. The City hereby irrevocably appoints the Bank as the agent and attorney-in-fact of the City to enter upon and re-lease the Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in Monterey County for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Bank 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 Bank or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Bank to re-lease the Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Bank in effecting such re-leasing shall constitute a surrender or termination of this 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 City the right to terminate this Lease Agreement shall vest in the Bank to be effected in the

sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City agrees to surrender and quit possession of the Property upon demand of the Bank for the purpose of enabling the Property to be re-let under this paragraph. Any rental obtained by the Bank in excess of the sum of Lease Payments plus costs and expenses incurred by the Bank for its services in re-leasing the Property shall be paid to the City.

(b) ***Termination of Lease.*** If an Event of Default occurs and is continuing hereunder, the Bank at its option may either terminate this Lease Agreement and re-lease all or any portion of the Property, subject to the Site and Facility Lease or, at its option upon notice to the District, may declare the unpaid aggregate Principal Components of the Lease Agreement, and the interest accrued thereon, to be immediately due and payable, whereupon the same shall immediately become due and payable. If the Bank terminates this Lease Agreement at its option and in the manner hereinafter provided due to a default by the City (and notwithstanding any re-entry upon the Property by the Bank in any manner whatsoever or the re-leasing of the Property), the City nevertheless agrees to pay to the Bank all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Payments. Any surplus received by the Bank from such re-leasing shall be applied by the Bank to Lease Payments due under this Lease Agreement. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Bank shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Bank shall have given written notice to the City of the election on the part of the Bank to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Property, or of the remainder of the Term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Bank by such written notice.

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

(d) ***Remedies under the Site and Facility Lease.*** If an Event of Default occurs and continues hereunder, the Bank may exercise its rights under the Site and Facility Lease.

Section 8.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bank to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.04. Agreement to Pay Attorneys' Fees and Expenses. If either party to this Lease Agreement defaults under any of the provisions hereof and the nondefaulting party should employ attorneys (including in-house legal counsel) or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys (including allocable costs and expenses of in-house legal counsel, if any) and such other expenses so incurred by the nondefaulting party.

Section 8.05. No Additional Waiver Implied by One Waiver. If any agreement contained in this Lease Agreement is breached by either party and thereafter waived by the other party, such waiver is limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.06. Judicial Reference.

(a) *Judicial Reference.* The Bank and the City hereby agree: (i) each proceeding or hearing based upon or arising out of, directly or indirectly, this Lease Agreement, the Site and Facility Lease, the Property or any document related thereto, any dealings between the City and the Bank related to the subject matter of this Lease Agreement, the Site and Facility Lease or any related transactions, and/or the relationship that is being established between the City and the Bank (hereinafter, a "Claim") shall be determined by a consensual general judicial reference (the "Reference") pursuant to the provisions of Section 638 et seq. of the California Code of Civil Procedure, as such statutes may be amended or modified from time to time; (ii) upon a written request, or upon an appropriate motion by either the Bank or the City, as applicable, any pending action relating to any Claim and every Claim shall be heard by a single Referee (as defined below) who shall then try all issues (including any and all questions of law and questions of fact relating thereto), and issue findings of fact and conclusions of law and report a statement of decision. The Referee's statement of decision will constitute the conclusive determination of the Claim. The Bank and the City agree that the Referee shall have the power to issue all legal and equitable relief appropriate under the circumstances before the Referee; (iii) the Bank and the City shall promptly and diligently cooperate with one another, as applicable, and the Referee, and shall perform such acts as may be necessary to obtain prompt and expeditious resolution of all Claims in accordance with the terms of this Section 8.7; (iv) either the Bank or the City, as applicable, may file the Referee's findings, conclusions and statement with the clerk or judge of any appropriate court, file a motion to confirm the Referee's report and have judgment entered thereon. If the report is deemed incomplete by such court, the Referee may be required to complete the report and resubmit it; (v) the Authority and the City, as applicable, will each have such rights to assert such objections as are set forth in Section 638 et seq. of the California Code of Civil Procedure; and (vi) all proceedings shall be closed to the public and confidential, and all records relating to the Reference shall be permanently sealed when the order thereon becomes final.

(b) *Selection of Referee; Powers.* The parties to the Reference proceeding shall select a single neutral referee (the "Referee"), who shall be a retired judge or justice of the courts of the State of California, or a federal court judge, in each case, with at least ten (10) years of judicial experience in civil matters. The Referee shall be appointed in

accordance with Section 638 of the California Code of Civil Procedure (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts). If within ten (10) days after the request or motion for the Reference, the parties to the Reference proceeding cannot agree upon a Referee, then any party to such proceeding may request or move that the Referee be appointed by the Presiding Judge of the Monterey County Superior Court, or of the U.S. District Court for the Southern District of California. The Referee shall determine all issues relating to the applicability, interpretation, legality and enforceability of this Section 8.7.

(c) *Provisional Remedies and Self Help.* No provision of this Section 8.7 shall limit the right of either the Bank or the City, as the case may be, to (i) exercise such self-help remedies as might otherwise be available under applicable law, or (ii) obtain or oppose provisional or ancillary remedies, including without limitation injunctive relief, writs of possession, the appointment of a receiver, and/or additional or supplementary remedies from a court of competent jurisdiction before, after, or during the pendency of any Reference. The exercise of, or opposition to, any such remedy does not waive the right of the Bank or the City to the Reference pursuant to this Section 8.7(c).

(d) *Costs and Fees.* Promptly following the selection of the Referee, the parties to such Reference proceeding shall each advance equal portions of the estimated fees and costs of the Referee. In the statement of decision issued by the Referee, the Referee shall award costs, including reasonable attorneys' fees, to the prevailing party, if any, and may order the Referee's fees to be paid or shared by the parties to such Reference proceeding in such manner as the Referee deems just.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

Section 9.01. Security Deposit. Notwithstanding any other provision of this Lease Agreement, the City may on any date secure the payment of the Lease Payments in whole or in part by depositing with the Bank or a fiduciary reasonably satisfactory to the Bank, in trust, an amount of cash, which shall be held in a segregated trust or escrow fund under a trust or escrow agreement that is in form and content acceptable to the Bank, which cash so held is either (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Exhibit C, or (b) invested in whole in non-callable Federal Securities maturing not later than the dates such funds will be required to make Lease Payments or any prepayment in an amount which is sufficient, in the opinion of an independent certified public accountant (which opinion must be in form and substance, and with such an accountant, acceptable to the Bank and addressed and delivered to the Bank), together with interest to accrue thereon and without reinvestment and together with any cash which is so deposited, to pay such Lease Payments when due under Section 4.03(a) or when due on any optional prepayment date under Section 9.02, as the City instructs at the time of said deposit; provided, however, that at or prior to the date on which any such security deposit is established, the City shall deliver to the Bank an opinion of Bond Counsel (in form and substance acceptable to the Bank) to the effect that any such security deposit will not adversely affect the excludability of the interest component of Lease Payments from gross

income of the Bank for federal income tax purposes. In the event of a security deposit under this Section with respect to all unpaid Lease Payments, (i) the Term of this Lease Agreement shall continue, (ii) all obligations of the City under this Lease Agreement, and all security provided by this Lease Agreement for said obligations, shall thereupon cease and terminate, excepting only (A) the obligation of the City to make, or cause to be made, all of the Lease Payments from such security deposit and, to the extent of any deficiency, as rent payable from other legally available funds of the City, and (B) the release and indemnification obligations of the City under subparagraphs (f) and (g) of Section 7.03, and (iii) under Section 4.05, the Bank's leasehold interest in the Property will vest in the City on the date of said deposit automatically and without further action by the City or the Bank. The City hereby grants a first priority security interest in and the lien on said security deposit and all proceeds thereof in favor of the Bank. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease Agreement and, notwithstanding anything to the contrary herein, Lease Payments therefrom shall not be subject to abatement under Section 6.03 hereof to the extent payable from the funds held by the Bank or the fiduciary as described in the first sentence of this Section 9.01.

Section 9.02. Optional Prepayment. The City may prepay the principal component of the Lease Payments in full or in part, in such manner as shall be selected by the City, on any date on and after August 1, 2019, at in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together accrued interest to the date fixed for prepayment

Section 9.03. Mandatory Prepayment from Net Proceeds of Insurance or Eminent Domain. The City shall be obligated to prepay the unpaid principal components of the Lease Payments in whole or in part in such order of prepayment as shall be selected by the City on any date, together with any accrued and unpaid interest, from and to the extent of any proceeds of insurance award or condemnation award with respect to the Property to be used for such purpose under Section 6.02. The City and the Bank hereby agree that such proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the City's obligations under this Section 9.03.

ARTICLE X

MISCELLANEOUS

Section 10.01. Notices. Any notice, request, complaint, demand or other communication under this Lease Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City and the Bank may, by written notice to the other party, from time to time modify the address or number to which communications are to be given hereunder.

If to the City: City of Pacific Grove
300 Forest Avenue
Pacific Grove, California 93950
Attention: City Manager
Phone: (831) 648-3106
Facsimile: (831) 657-9361

If to the Bank: Umpqua Bank
2998 Douglas Boulevard, Suite 100
Roseville, California 95661
Attention: Dean Stephens
Phone: (916) 774-3937
Facsimile: (916) 216-2323

Section 10.02. Binding Effect. This Lease Agreement inures to the benefit of and is binding upon the Bank, the City and their respective successors and assigns.

Section 10.03. Severability. If any provision of this Lease Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 10.04. Net-net-net Lease. This Lease Agreement is a “net-net-net lease” and the City hereby agrees that the Lease Payments are an absolute net return to the Bank, free and clear of any expenses, charges or set-offs whatsoever.

Section 10.05. Further Assurances and Corrective Instruments. The Bank and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

Section 10.06. Applicable Law. This Lease Agreement is governed by and construed in accordance with the laws of the State.

Section 10.07. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or section of this Lease Agreement.

Section 10.08. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which is an original and all of which constitutes one and the same instrument.

* * * * *

IN WITNESS WHEREOF, the Bank and the City have caused this Lease Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

UMPQUA BANK

By _____

CITY OF PACIFIC GROVE

By _____

Attest:

EXHIBIT A

DESCRIPTION OF THE SITE

All that certain real property situated in the City of Pacific Grove, Monterey County, State of California, described as follows:

EXHIBIT B
DESCRIPTION OF THE FACILITY

EXHIBIT C
SCHEDULE OF LEASE PAYMENTS

<u>Lease Payment Date</u>	<u>Principal Component</u>	<u>Interest Rate</u>	<u>Interest Component (1)</u>	<u>Total Lease Payment</u>
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(1) The interest component due under the Lease Agreement may vary from the amount indicated on this schedule based on the date the Lease Payment is received by the Bank.

EXHIBIT D
CERTIFICATE OF BANK

ESCROW AGREEMENT

by and between the

CITY OF PACIFIC CITY

and

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

Dated as of August 1, 2014

Relating to:

\$ _____
CITY OF PACIFIC GROVE
(Monterey County, California)
SERIES 2014 TAXABLE LEASE AGREEMENT
(Golf Course Refunding Project)

ESCROW AGREEMENT

This ESCROW AGREEMENT (this “Agreement”), made and entered into as of this 1st day of March, 2014 by and between the CITY OF PACIFIC GROVE a municipal corporation, duly organized and existing under and by virtue of the laws of the State of California (the “City”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N. A., a national banking association organized and existing under the laws of the United States of America, acting as Prior Trustee (the “Prior Trustee”) for the Prior Obligations (as hereafter defined), hereinafter referred to and acting as escrow agent hereunder (the “Escrow Agent”);

W I T N E S S E T H :

WHEREAS, pursuant to (i) a certain indenture of trust agreement, dated as of August 1, 2004, by and among the Public Property Financing Corporation of California (the “Corporation”), the City and the Prior Trustee (the “Prior Trust Agreement”), and (ii) a certain installment sale agreement, dated as August 1, 2004, by and between the City and the Corporation (the “Prior Installment Sale Agreement,” and together with the Prior Trust Agreement, the “Prior Obligation Documents”), authorized, issued, sold and delivered its municipal bond obligations designated the “City of Pacific Grove, 2014 Certificates of Participation (Golf Course Project),” issued on August 5, 2004 in the aggregate, original principal amount of \$3,960,000 pursuant to the provisions of the Prior Obligation Documents (the “Prior Obligations”); and

WHEREAS, the proceeds of the Prior Obligations were used to (i) finance the acquisition and construction of certain finance certain additions, betterments, extensions and improvements to the City’s Golf Course, and (ii) finance a reserve fund for the Prior Obligations (the “Prior Reserve Fund”), and (iii) pay the costs of issuance related thereto; and

WHEREAS, the City desires to refinance the installment payment obligations (the “Prior Installment Payments”) under the Prior Installment Sale Agreement and has correspondingly taken all necessary action to prepay such Prior Installment Payments and Prior Obligations in full pursuant to the terms and conditions of the Prior Obligation Documents; and

WHEREAS, in order to realize interest savings from the refunding of the Prior Obligations, the City proposes to execute and deliver its “City of Pacific Grove, Series 2014 Taxable Lease Agreement (Golf Course Refunding Project)” (the “Lease Obligation”), all pursuant to and secured by a Lease Agreement, dated as of August 1, 2014 (the “Lease Agreement”), in the manner provided therein, for the purpose of providing funds to refund the entire issue of outstanding Prior Obligations in advance of their scheduled maturities, on September __, 2014 (the “Redemption Date”); and

WHEREAS, the Lease Obligation is to be secured by a pledge of and first lien on the Revenues (as defined in the Lease Agreement) to be comprised mainly of Lease Obligation Payments made by the City pursuant to the Lease Agreement, which Revenues are designed to be sufficient in time and amount to pay the principal of and interest on the Lease Obligation as it becomes due and payable; and

WHEREAS, in order to provide for the execution and delivery of the Lease Obligation, to establish and declare the terms and conditions upon which the Lease Obligation is to be made and to secure the payment of the principal thereof and premium (if any) and interest thereon, the City has authorized the execution and delivery of the Lease Agreement and this Escrow Agreement (the “Refunding Documents”); and

WHEREAS, the City and the Escrow Agent wish to enter into this Agreement for the purpose of providing the terms and conditions relating to the deposit and application of cash to provide for the payment and redemption of the Prior Obligations in full, pursuant to and in accordance with the provisions of the Prior Obligation Documents; and

WHEREAS, the Escrow Agent has full power to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to this agreement; and

NOW, THEREFORE, in consideration of the above premises and of the mutual promises and covenants therein contained and for other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Appointment of Escrow Agent.

The City hereby appoints The Bank of New York Mellon Trust Company, N. A. as Escrow Agent for all purposes of this Agreement and in accordance with the terms and provisions of this Agreement, and the Escrow Agent hereby accepts such appointments.

Section 2. Establishment of Escrow Fund.

There is hereby created an escrow fund designated the “City of Pacific Grove, Prior Obligations Escrow Fund” (the “Escrow Fund”) to be held by the Escrow Agent as an irrevocable escrow securing the payment of the Prior Obligations, separate and apart from all other funds of the Escrow Agent as hereinafter set forth. The Escrow Agent agrees to establish and maintain the Escrow Fund as provided in this Agreement. All cash in the Escrow Fund is hereby irrevocably pledged as a special fund for the payment of the principal of and interest and premium, if any, on the Prior Obligations in accordance with the provisions of this Agreement and the Prior Obligation Documents.

Section 3. Deposits into the Escrow Fund.

Concurrently with issuance and delivery of the Lease Obligation, the City shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, which shall be derived from:

- (a) \$_____ from the proceeds of sale of the Lease Obligation; and
- (b) \$_____ from the proceeds of the Prior Obligations.

The City hereby represents and warrants that the total amount of \$_____ of immediately available funds deposited in the Escrow Fund represents a payment of the full amount payable by the City with respect to the Prior Obligations.

Section 4. Investment and Application of Escrow Fund.

As used herein, the term “Investment Securities” means the Investment Securities set forth in Exhibit A hereto. The deposits into the Escrow Fund shall be applied solely as provided in this Agreement. Such moneys are at least equal to an amount sufficient to purchase the principal amount of Investment Securities set

forth in Exhibit A hereto, which, together with all interest due or to become due on such Investment Securities, and \$_.__ to be held as cash, will be sufficient to refund the entire issue of outstanding Prior Obligations in advance of their scheduled maturities, on September __, 2014. The Escrow Agent shall assert no lien upon or right of offset against the Investment Securities or cash at any time on deposit in the Escrow Fund.

Section 5. Instructions as to Escrow Agent.

The total amount deposited in the Escrow Fund hereunder shall be applied by the Escrow Agent for the sole purpose of paying the principal of and interest and premium, if any, on the Prior Obligations in accordance with the schedule set forth in Exhibit B attached hereto and by this reference incorporated herein. Following payment in full of the principal of and interest and premium, if any, on the Prior Obligations, all amounts on deposit in the Escrow Fund shall be transferred by the Escrow Agent to the City, for deposit in the Revenue Fund for the Lease Obligation.

Section 6. Additional Instructions as to Escrow Agent.

In addition, any investment earnings on funds held by the Prior Trustee under the Prior Obligation Documents which are posted after the date of the foregoing transfers or otherwise, shall be remitted by the Prior Trustee for deposit to the Revenue Fund for the Lease Obligation. The Escrow Agent may utilize its corporate affiliate as a depository agent to hold any uninvested moneys in accordance with the provisions of this Agreement.

If at any time the Escrow Agent shall receive actual knowledge that the cash in the Escrow Fund will not be sufficient to make any payment required by Section 4 hereof, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent shall have no obligation whatsoever to use its own funds to cure any such deficiency.

Section 7. Application of Certain Terms of Prior Obligation Documents.

All of the terms of the Prior Obligation Documents relating to the making of payments of the principal of and interest and premium on the Prior Obligations are incorporated in this Agreement as if set forth in full herein.

Section 8. Proceedings for Redemption of Prior Obligations.

The City hereby irrevocably elects to redeem all of the outstanding Prior Obligations in full on the Redemption Date pursuant to the provisions of the Prior Obligation Documents. Notice of such redemption has been given by the Escrow Agent (in its capacity as Prior Trustee under the Prior Obligation Documents) as required by the Prior Obligation Documents, at the expense of the City.

Section 9. Compensation to Escrow Agent.

The City shall pay the Escrow Agent full compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees (including fees of outside counsel and the allocated costs of internal attorneys) and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase of any Federal Securities after the date hereof. Under no circumstances shall amounts deposited in and credited to the Escrow Fund be deemed to be available

for said purposes. The obligation of the City under this Section 9 to pay compensation already earned by the Escrow Agent and to pay costs and expenses already incurred shall survive termination of this Agreement and shall survive the resignation or removal of the Escrow Agent.

Section 10. Liabilities and Obligations of Escrow Agent.

The Escrow Agent shall have no obligation to make any payment or disbursement of any type or incur any financial liability of any kind in the performance of its duties under this Agreement unless the City shall have deposited sufficient funds therefore with the Escrow Agent. The Escrow Agent may rely and shall be fully protected in acting upon the written instructions of the City or its agents relating to any matter or action as Escrow Agent under this Agreement.

The City, to the extent permitted by law, covenants to indemnify, defend and hold harmless the Escrow Agent and its officers, employees, directors, and agents, against any loss, liability or expense, including legal fees (including fees of outside counsel and the allocated costs of internal attorneys), incurred in connection with the performance of any of the duties of Escrow Agent hereunder, except the Escrow Agent shall not be indemnified against any loss, liability or expense resulting from its negligence or willful misconduct. Such indemnity shall survive the termination of this Agreement and shall survive the resignation or removal of the Escrow Agent.

The Escrow Agent shall have such duties as are expressly set forth herein and no implied duties shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not be liable for any act or omission of the City under this Agreement, the Prior Obligation Documents or the Refunding Documents. The Escrow Agent shall not be liable for the accuracy of any calculations as to the sufficiency of moneys deposited with it to pay the principal, interest or premiums, if any, on the Prior Obligations.

The Escrow Agent shall incur no liability for losses arising from any investment or other disposition made pursuant to and in accordance with this Agreement. Any bank, federal savings association or trust company into which the Escrow Agent may be merged or with which it may be consolidated shall become the Escrow Agent without any action of the City.

The Escrow Agent shall have no liability or obligation to the owners of the Prior Obligations, or the Lease Obligation with respect to the payment of debt service by the City or with respect to the observance or performance by the City of the other conditions, covenants and terms contained in the Refunding Documents, or with respect to the investment of any moneys in any fund or account established, held or maintained by the City pursuant to the Refunding Documents.

The Escrow Agent may conclusively rely, as to the trust of the statements and correctness of the opinions expressed therein, on any certificate or opinion furnished to it in accordance with this Agreement or the Prior Obligation Documents. The Escrow Agent may consult with counsel, whose opinion shall be full and complete authorization and protection to the Escrow Agent if it acting without negligence or willful misconduct and in accordance with such opinion.

Any corporation succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder, without the execution or filing of any paper or any further act on the part of the any of the parties hereto.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Escrow Agreement and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Escrow Agent an incumbency certificate listing the authorized representatives of the City with the authority to provide such Instructions (“Authorized Representatives”) and containing specimen signatures of such Authorized Representatives, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent’s understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Representative listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Representative. The City shall be responsible for ensuring that only Authorized Representatives transmit such Instructions to the Escrow Agent and that the City and all Authorized Representatives are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent’s good faith reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

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

Section 11. Resignation of Escrow Agent.

The Escrow Agent may at any time resign by giving written notice to the City, which notice shall indicate the date on which the resignation is to be effective (the “resignation date”). Resignation of the Escrow Agent will be effective upon acceptance of appointment by a successor Escrow Agent. If the City does not appoint a successor Escrow Agent by the resignation date, the Escrow Agent may, at the expense of the City,

petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent.

Section 12. Amendment.

This Agreement shall not be repealed, revoked, rescinded, altered, amended or supplemented in whole or in part without the written consent of (i) the holders of one hundred percent (100%) in principal amount of the unpaid Prior Obligations at the time such consent is requested, and (ii) the Escrow Agent; provided, however, that the City and the Escrow Agent may, without the consent of or notice to the holders of the Prior Obligations, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and shall not be inconsistent with the terms and provisions of this Agreement: (1) to cure ambiguity or formal defect or omission in this Agreement; (2) to grant to or confer upon the Escrow Agent for the benefit of the holders of the Prior Obligations any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Escrow Agent; and (3) with the prior written consent of AGM, to provide for the deposit of additional moneys or Federal Securities to the credit of the Escrow Fund.

The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of a nationally recognized firm of municipal bond attorneys with respect to compliance with this Section 12, including the extent, if any, to which any change, modification, addition elimination affects the rights of such holders of the Prior Obligations or that any instrument executed hereunder complies with the conditions or provisions of this Section 12.

Section 13. Unclaimed Moneys.

Anything contained herein to the contrary notwithstanding, any moneys held by the Escrow Agent for the payment and discharge of the principal of, and the interest and any premium on, the Prior Obligations which remain unclaimed for two (2) years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Escrow Agent at such date, shall be repaid by the Escrow Agent shall thereupon be released and discharged with respect thereto and the owners of such Prior Obligations shall look only to the City for the payment of the principal of, and interest and any premium on, such Prior Obligations. Any right of any owner of any Prior Obligation to look to the City for such payment shall survive only so long as required under applicable law.

Section 14. Applicable Law.

This Agreement shall be governed by and constructed in accordance with the laws of the State of California.

Section 15. Execution in Counterparts.

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

* * * * *

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

CITY OF PACIFIC GROVE

By: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N. A.,
As Escrow Agent

By: _____

Title: _____

EXHIBIT A

SCHEDULE OF INVESTMENT SECURITIES

<u>Federal Security</u>	<u>Maturity Date</u>	<u>Coupon Rate</u>	<u>Par Amount</u>	<u>Interest Amount</u>	<u>Net Receipt</u>
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EXHIBIT B

SCHEDULE OF PAYMENTS OF PRIOR BONDS

<u>Period</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u> <u>Redeemed</u>	<u>Redemption</u> <u>Premium</u>	<u>Total</u>
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SOURCES AND USES OF FUNDS

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.95%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Dated Date 08/29/2014
Delivery Date 08/29/2014

Sources:

Bond Proceeds:	
Par Amount	3,114,433.93
Other Sources of Funds:	
Prior DSR Transfer	273,842.82
	3,388,276.75

Uses:

Refunding Escrow Deposits:	
Cash Deposit	3,248,276.75
Cost of Issuance:	
Bank Counsel	15,000.00
Escrow Agent	750.00
Title/Escrow	6,000.00
Placement Agent	30,000.00
Bond Counsel	86,782.83
CDIAC (\$0.15/bond, \$3k max)	467.17
Contingency	1,000.00
	140,000.00
	3,388,276.75

Note: *Preliminary, subject to change.

SAVINGS

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.95%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 08/29/2014 @ 4.9505687%
02/01/2015	89,295.00	143,212.63	(53,917.63)		(52,815.76)
08/01/2015	184,295.00	143,212.63	41,082.37	(12,835.26)	39,270.74
02/01/2016	86,920.00	143,212.62	(56,292.62)		(52,510.47)
08/01/2016	186,920.00	143,212.63	43,707.37	(12,585.25)	39,785.98
02/01/2017	84,370.00	143,212.62	(58,842.62)		(52,269.48)
08/01/2017	184,370.00	143,212.63	41,157.37	(17,685.25)	35,676.70
02/01/2018	81,770.00	143,212.63	(61,442.63)		(51,974.19)
08/01/2018	191,770.00	143,212.62	48,557.38	(12,885.25)	40,082.43
02/01/2019	78,855.00	143,212.62	(64,357.62)		(51,841.75)
08/01/2019	193,855.00	143,212.62	50,642.38	(13,715.24)	39,808.39
02/01/2020	75,750.00	143,212.63	(67,462.63)		(51,749.32)
08/01/2020	195,750.00	143,212.63	52,537.37	(14,925.26)	39,326.98
02/01/2021	72,450.00	143,212.63	(70,762.63)		(51,690.07)
08/01/2021	197,450.00	143,212.62	54,237.38	(16,525.25)	38,661.86
02/01/2022	68,981.25	143,212.62	(74,231.37)		(51,635.97)
08/01/2022	203,981.25	143,212.63	60,768.62	(13,462.75)	41,250.11
02/01/2023	65,235.00	143,212.63	(77,977.63)		(51,653.13)
08/01/2023	205,235.00	143,212.62	62,022.38	(15,955.25)	40,091.83
02/01/2024	61,350.00	143,212.62	(81,862.62)		(51,638.54)
08/01/2024	211,350.00	143,212.63	68,137.37	(13,725.25)	41,942.53
02/01/2025	57,187.50	143,212.63	(86,025.13)		(51,674.40)
08/01/2025	212,187.50	143,212.63	68,974.87	(17,050.26)	40,431.69
02/01/2026	52,886.25	143,212.63	(90,326.38)		(51,668.57)
08/01/2026	217,886.25	143,212.62	74,673.63	(15,652.75)	41,683.10
02/01/2027	48,307.50	143,212.63	(94,905.13)		(51,696.75)
08/01/2027	223,307.50	143,212.63	80,094.87	(14,810.26)	42,575.44
02/01/2028	43,363.75	143,212.63	(99,848.88)		(51,793.89)
08/01/2028	228,363.75	143,212.63	85,151.12	(14,697.76)	43,102.90
02/01/2029	38,137.50	143,212.63	(105,075.13)		(51,903.54)
08/01/2029	233,137.50	143,212.62	89,924.88	(15,150.25)	43,346.87
02/01/2030	32,628.75	143,212.63	(110,583.88)		(52,017.63)
08/01/2030	237,628.75	61,485.00	176,143.75	65,559.87	80,855.00
02/01/2031	26,837.50		26,837.50		12,021.61
08/01/2031	246,837.50		246,837.50	273,675.00	107,897.78
02/01/2032	20,622.50		20,622.50		8,796.78
08/01/2032	250,622.50		250,622.50	271,245.00	104,323.75
02/01/2033	14,125.00		14,125.00		5,737.63
08/01/2033	259,125.00		259,125.00	273,250.00	102,715.07
02/01/2034	7,203.75		7,203.75		2,786.53
08/01/2034	262,203.75		262,203.75	269,407.50	98,974.99
	5,432,552.50	4,501,076.42	931,476.08	931,476.08	300,613.21

Savings Summary

PV of savings from cash flow	300,613.21
Less: Prior funds on hand	(273,842.82)
Net PV Savings	26,770.39

Note: *Preliminary, subject to change.

SUMMARY OF REFUNDING RESULTS

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.95%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Dated Date	08/29/2014
Delivery Date	08/29/2014
Arbitrage yield	4.950569%
Escrow yield	
Value of Negative Arbitrage	
Bond Par Amount	3,114,433.93
True Interest Cost	4.950569%
Net Interest Cost	4.950000%
Average Coupon	4.950000%
Average Life	8.995
Par amount of refunded bonds	3,220,000.00
Average coupon of refunded bonds	5.611043%
Average life of refunded bonds	12.169
PV of prior debt to 08/29/2014 @ 4.950569%	3,415,047.14
Net PV Savings	26,770.39
Percentage savings of refunded bonds	0.831379%
Percentage savings of refunding bonds	0.859559%

Note: *Preliminary, subject to change.

BOND PRICING

\$3,114,433.93*
 CITY OF PACIFIC GROVE, CALIFORNIA
 (2004 Golf Course Project)
 Refunding Certificates of Participation, Series 2014
 9-Year Average Life with Level DS @ 4.95%
 TAXABLE PRIVATE PLACEMENT
 Preliminary Numbers: As of August 13, 2014

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:					
	02/01/2015	78,120.96	4.950%	4.950%	100.000
	08/01/2015	68,063.88	4.950%	4.950%	100.000
	02/01/2016	69,748.46	4.950%	4.950%	100.000
	08/01/2016	71,474.74	4.950%	4.950%	100.000
	02/01/2017	73,243.73	4.950%	4.950%	100.000
	08/01/2017	75,056.52	4.950%	4.950%	100.000
	02/01/2018	76,914.17	4.950%	4.950%	100.000
	08/01/2018	78,817.79	4.950%	4.950%	100.000
	02/01/2019	80,768.53	4.950%	4.950%	100.000
	08/01/2019	82,767.55	4.950%	4.950%	100.000
	02/01/2020	84,816.05	4.950%	4.950%	100.000
	08/01/2020	86,915.25	4.950%	4.950%	100.000
	02/01/2021	89,066.40	4.950%	4.950%	100.000
	08/01/2021	91,270.79	4.950%	4.950%	100.000
	02/01/2022	93,529.74	4.950%	4.950%	100.000
	08/01/2022	95,844.61	4.950%	4.950%	100.000
	02/01/2023	98,216.76	4.950%	4.950%	100.000
	08/01/2023	100,647.62	4.950%	4.950%	100.000
	02/01/2024	103,138.65	4.950%	4.950%	100.000
	08/01/2024	105,691.34	4.950%	4.950%	100.000
	02/01/2025	108,307.20	4.950%	4.950%	100.000
	08/01/2025	110,987.80	4.950%	4.950%	100.000
	02/01/2026	113,734.75	4.950%	4.950%	100.000
	08/01/2026	116,549.68	4.950%	4.950%	100.000
	02/01/2027	119,434.29	4.950%	4.950%	100.000
	08/01/2027	122,390.29	4.950%	4.950%	100.000
	02/01/2028	125,419.45	4.950%	4.950%	100.000
	08/01/2028	128,523.58	4.950%	4.950%	100.000
	02/01/2029	131,704.54	4.950%	4.950%	100.000
	08/01/2029	134,964.22	4.950%	4.950%	100.000
	02/01/2030	138,304.59	4.950%	4.950%	100.000
	08/01/2030	60,000.00	4.950%	4.950%	100.000
		3,114,433.93			

Dated Date	08/29/2014	
Delivery Date	08/29/2014	
First Coupon	02/01/2015	
Par Amount	3,114,433.93	
Original Issue Discount		
Production	3,114,433.93	100.000000%
Underwriter's Discount		
Purchase Price	3,114,433.93	100.000000%
Accrued Interest		
Net Proceeds	3,114,433.93	

Note: *Preliminary, subject to change.

BOND SUMMARY STATISTICS

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.95%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Dated Date	08/29/2014
Delivery Date	08/29/2014
Last Maturity	08/01/2030
Arbitrage Yield	4.950569%
True Interest Cost (TIC)	4.950569%
Net Interest Cost (NIC)	4.950000%
All-In TIC	5.628005%
Average Coupon	4.950000%
Average Life (years)	8.995
Duration of Issue (years)	7.035
Par Amount	3,114,433.93
Bond Proceeds	3,114,433.93
Total Interest	1,386,642.49
Net Interest	1,386,642.49
Bond Years from Dated Date	28,012,979.55
Bond Years from Delivery Date	28,012,979.55
Total Debt Service	4,501,076.42
Maximum Annual Debt Service	286,425.26
Average Annual Debt Service	282,691.47
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	3,114,433.93	100.000	4.950%	8.995
	3,114,433.93			8.995

	TIC	All-In TIC	Arbitrage Yield
Par Value	3,114,433.93	3,114,433.93	3,114,433.93
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		(140,000.00)	
- Other Amounts			
Target Value	3,114,433.93	2,974,433.93	3,114,433.93
Target Date	08/29/2014	08/29/2014	08/29/2014
Yield	4.950569%	5.628005%	4.950569%

Note: *Preliminary, subject to change.

BOND DEBT SERVICE

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.95%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Dated Date 08/29/2014
Delivery Date 08/29/2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2015	78,120.96	4.950%	65,091.67	143,212.63	
08/01/2015	68,063.88	4.950%	75,148.75	143,212.63	286,425.26
02/01/2016	69,748.46	4.950%	73,464.16	143,212.62	
08/01/2016	71,474.74	4.950%	71,737.89	143,212.63	286,425.25
02/01/2017	73,243.73	4.950%	69,968.89	143,212.62	
08/01/2017	75,056.52	4.950%	68,156.11	143,212.63	286,425.25
02/01/2018	76,914.17	4.950%	66,298.46	143,212.63	
08/01/2018	78,817.79	4.950%	64,394.83	143,212.62	286,425.25
02/01/2019	80,768.53	4.950%	62,444.09	143,212.62	
08/01/2019	82,767.55	4.950%	60,445.07	143,212.62	286,425.24
02/01/2020	84,816.05	4.950%	58,396.58	143,212.63	
08/01/2020	86,915.25	4.950%	56,297.38	143,212.63	286,425.26
02/01/2021	89,066.40	4.950%	54,146.23	143,212.63	
08/01/2021	91,270.79	4.950%	51,941.83	143,212.62	286,425.25
02/01/2022	93,529.74	4.950%	49,682.88	143,212.62	
08/01/2022	95,844.61	4.950%	47,368.02	143,212.63	286,425.25
02/01/2023	98,216.76	4.950%	44,995.87	143,212.63	
08/01/2023	100,647.62	4.950%	42,565.00	143,212.62	286,425.25
02/01/2024	103,138.65	4.950%	40,073.97	143,212.62	
08/01/2024	105,691.34	4.950%	37,521.29	143,212.63	286,425.25
02/01/2025	108,307.20	4.950%	34,905.43	143,212.63	
08/01/2025	110,987.80	4.950%	32,224.83	143,212.63	286,425.26
02/01/2026	113,734.75	4.950%	29,477.88	143,212.63	
08/01/2026	116,549.68	4.950%	26,662.94	143,212.62	286,425.25
02/01/2027	119,434.29	4.950%	23,778.34	143,212.63	
08/01/2027	122,390.29	4.950%	20,822.34	143,212.63	286,425.26
02/01/2028	125,419.45	4.950%	17,793.18	143,212.63	
08/01/2028	128,523.58	4.950%	14,689.05	143,212.63	286,425.26
02/01/2029	131,704.54	4.950%	11,508.09	143,212.63	
08/01/2029	134,964.22	4.950%	8,248.40	143,212.62	286,425.25
02/01/2030	138,304.59	4.950%	4,908.04	143,212.63	
08/01/2030	60,000.00	4.950%	1,485.00	61,485.00	204,697.63
	3,114,433.93		1,386,642.49	4,501,076.42	4,501,076.42

Note: *Preliminary, subject to change.

BOND DEBT SERVICE

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.95%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Dated Date 08/29/2014
Delivery Date 08/29/2014

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2015	146,184.84	4.950%	140,240.42	286,425.26
08/01/2016	141,223.20	4.950%	145,202.05	286,425.25
08/01/2017	148,300.25	4.950%	138,125.00	286,425.25
08/01/2018	155,731.96	4.950%	130,693.29	286,425.25
08/01/2019	163,536.08	4.950%	122,889.16	286,425.24
08/01/2020	171,731.30	4.950%	114,693.96	286,425.26
08/01/2021	180,337.19	4.950%	106,088.06	286,425.25
08/01/2022	189,374.35	4.950%	97,050.90	286,425.25
08/01/2023	198,864.38	4.950%	87,560.87	286,425.25
08/01/2024	208,829.99	4.950%	77,595.26	286,425.25
08/01/2025	219,295.00	4.950%	67,130.26	286,425.26
08/01/2026	230,284.43	4.950%	56,140.82	286,425.25
08/01/2027	241,824.58	4.950%	44,600.68	286,425.26
08/01/2028	253,943.03	4.950%	32,482.23	286,425.26
08/01/2029	266,668.76	4.950%	19,756.49	286,425.25
08/01/2030	198,304.59	4.950%	6,393.04	204,697.63
	3,114,433.93		1,386,642.49	4,501,076.42

Note: *Preliminary, subject to change.

SUMMARY OF BONDS REFUNDED

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.95%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2004 COP, 2004COP:					
SERIAL	08/01/2015	5.000%	95,000.00	09/28/2014	100.000
	08/01/2016	5.100%	100,000.00	09/28/2014	100.000
	08/01/2017	5.200%	100,000.00	09/28/2014	100.000
	08/01/2018	5.300%	110,000.00	09/28/2014	100.000
	08/01/2019	5.400%	115,000.00	09/28/2014	100.000
TERM26	08/01/2020	5.500%	120,000.00	09/28/2014	100.000
	08/01/2021	5.550%	125,000.00	09/28/2014	100.000
	08/01/2022	5.550%	135,000.00	09/28/2014	100.000
	08/01/2023	5.550%	140,000.00	09/28/2014	100.000
	08/01/2024	5.550%	150,000.00	09/28/2014	100.000
	08/01/2025	5.550%	155,000.00	09/28/2014	100.000
	08/01/2026	5.550%	165,000.00	09/28/2014	100.000
TERM34	08/01/2027	5.650%	175,000.00	09/28/2014	100.000
	08/01/2028	5.650%	185,000.00	09/28/2014	100.000
	08/01/2029	5.650%	195,000.00	09/28/2014	100.000
	08/01/2030	5.650%	205,000.00	09/28/2014	100.000
	08/01/2031	5.650%	220,000.00	09/28/2014	100.000
	08/01/2032	5.650%	230,000.00	09/28/2014	100.000
	08/01/2033	5.650%	245,000.00	09/28/2014	100.000
	08/01/2034	5.650%	255,000.00	09/28/2014	100.000
			3,220,000.00		

Note: *Preliminary, subject to change.

PRIOR BOND DEBT SERVICE

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.95%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2015	95,000	5.000%	178,590.00	273,590.00
08/01/2016	100,000	5.100%	173,840.00	273,840.00
08/01/2017	100,000	5.200%	168,740.00	268,740.00
08/01/2018	110,000	5.300%	163,540.00	273,540.00
08/01/2019	115,000	5.400%	157,710.00	272,710.00
08/01/2020	120,000	5.500%	151,500.00	271,500.00
08/01/2021	125,000	5.550%	144,900.00	269,900.00
08/01/2022	135,000	5.550%	137,962.50	272,962.50
08/01/2023	140,000	5.550%	130,470.00	270,470.00
08/01/2024	150,000	5.550%	122,700.00	272,700.00
08/01/2025	155,000	5.550%	114,375.00	269,375.00
08/01/2026	165,000	5.550%	105,772.50	270,772.50
08/01/2027	175,000	5.650%	96,615.00	271,615.00
08/01/2028	185,000	5.650%	86,727.50	271,727.50
08/01/2029	195,000	5.650%	76,275.00	271,275.00
08/01/2030	205,000	5.650%	65,257.50	270,257.50
08/01/2031	220,000	5.650%	53,675.00	273,675.00
08/01/2032	230,000	5.650%	41,245.00	271,245.00
08/01/2033	245,000	5.650%	28,250.00	273,250.00
08/01/2034	255,000	5.650%	14,407.50	269,407.50
	3,220,000		2,212,552.50	5,432,552.50

Note: *Preliminary, subject to change.

ESCROW REQUIREMENTS

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.95%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Period Ending	Interest	Principal Redeemed	Total
09/28/2014	28,276.75	3,220,000.00	3,248,276.75
	28,276.75	3,220,000.00	3,248,276.75

Note: *Preliminary, subject to change.

ESCROW COST

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.95%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
08/29/2014		3,248,276.75	3,248,276.75
	0	3,248,276.75	3,248,276.75

Note: *Preliminary, subject to change.

ESCROW COST DETAIL

\$3,114,433.93*
 CITY OF PACIFIC GROVE, CALIFORNIA
 (2004 Golf Course Project)
 Refunding Certificates of Participation, Series 2014
 9-Year Average Life with Level DS @ 4.95%
 TAXABLE PRIVATE PLACEMENT
 Preliminary Numbers: As of August 13, 2014

Escrow	Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
CASH	08/29/2014		273,842.82	273,842.82
PROCEEDS	08/29/2014		2,974,433.93	2,974,433.93
		0	3,248,276.75	3,248,276.75

Note: *Preliminary, subject to change.

ESCROW SUFFICIENCY

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.95%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
08/29/2014		3,248,276.75	3,248,276.75	3,248,276.75
09/28/2014	3,248,276.75		(3,248,276.75)	
	3,248,276.75	3,248,276.75	0.00	

Note: *Preliminary, subject to change.

ESCROW STATISTICS

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.95%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
CASH	273,842.82				272,766.17		1,076.65
PROCEEDS	2,974,433.93				2,962,739.49		11,694.44
	3,248,276.75				3,235,505.66	0.00	12,771.09

Delivery date 08/29/2014
Arbitrage yield 4.950569%

Note: *Preliminary, subject to change.

SOURCES AND USES OF FUNDS

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.65%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Dated Date 08/29/2014
Delivery Date 08/29/2014

Sources:

<hr/>	
Bond Proceeds:	
Par Amount	3,114,433.93
Other Sources of Funds:	
Prior DSR Transfer	273,842.82
	<hr/>
	3,388,276.75
	<hr/> <hr/>

Uses:

<hr/>	
Refunding Escrow Deposits:	
Cash Deposit	3,248,276.75
Cost of Issuance:	
Bank Counsel	15,000.00
Escrow Agent	750.00
Title/Escrow	6,000.00
Placement Agent	30,000.00
Bond Counsel	86,782.83
CDIAC (\$0.15/bond, \$3k max)	467.17
Contingency	1,000.00
	<hr/>
	140,000.00
	<hr/>
	3,388,276.75
	<hr/> <hr/>

Note: *Preliminary, subject to change.

SAVINGS

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.65%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 08/29/2014 @ 4.6504952%
02/01/2015	89,295.00	139,693.61	(50,398.61)		(49,429.78)
08/01/2015	184,295.00	139,693.61	44,601.39	(5,797.22)	42,749.96
02/01/2016	86,920.00	139,693.60	(52,773.60)		(49,433.48)
08/01/2016	186,920.00	139,693.61	47,226.39	(5,547.21)	43,232.11
02/01/2017	84,370.00	139,693.61	(55,323.61)		(49,493.64)
08/01/2017	184,370.00	139,693.61	44,676.39	(10,647.22)	39,060.17
02/01/2018	81,770.00	139,693.61	(57,923.61)		(49,491.30)
08/01/2018	191,770.00	139,693.61	52,076.39	(5,847.22)	43,484.18
02/01/2019	78,855.00	139,693.60	(60,838.60)		(49,646.30)
08/01/2019	193,855.00	139,693.61	54,161.39	(6,677.21)	43,193.13
02/01/2020	75,750.00	139,693.61	(63,943.61)		(49,835.54)
08/01/2020	195,750.00	139,693.61	56,056.39	(7,887.22)	42,695.72
02/01/2021	72,450.00	139,693.60	(67,243.60)		(50,052.69)
08/01/2021	197,450.00	139,693.60	57,756.40	(9,487.20)	42,013.97
02/01/2022	68,981.25	139,693.61	(70,712.36)		(50,269.68)
08/01/2022	203,981.25	139,693.60	64,287.65	(6,424.71)	44,663.79
02/01/2023	65,235.00	139,693.61	(74,458.61)		(50,554.54)
08/01/2023	205,235.00	139,693.61	65,541.39	(8,917.22)	43,488.86
02/01/2024	61,350.00	139,693.60	(78,343.60)		(50,802.27)
08/01/2024	211,350.00	139,693.60	71,656.40	(6,687.20)	45,410.03
02/01/2025	57,187.50	139,693.61	(82,506.11)		(51,097.55)
08/01/2025	212,187.50	139,693.61	72,493.89	(10,012.22)	43,876.56
02/01/2026	52,886.25	139,693.61	(86,807.36)		(51,345.80)
08/01/2026	217,886.25	139,693.61	78,192.64	(8,614.72)	45,199.27
02/01/2027	48,307.50	139,693.61	(91,386.11)		(51,625.35)
08/01/2027	223,307.50	139,693.61	83,613.89	(7,772.22)	46,161.34
02/01/2028	43,363.75	139,693.61	(96,329.86)		(51,973.04)
08/01/2028	228,363.75	139,693.60	88,670.15	(7,659.71)	46,753.25
02/01/2029	38,137.50	139,693.61	(101,556.11)		(52,330.83)
08/01/2029	233,137.50	139,693.61	93,443.89	(8,112.22)	47,056.50
02/01/2030	32,628.75	139,693.61	(107,064.86)		(52,690.57)
08/01/2030	237,628.75	86,976.25	150,652.50	43,587.64	72,456.86
02/01/2031	26,837.50		26,837.50		12,614.28
08/01/2031	246,837.50		246,837.50	273,675.00	113,383.19
02/01/2032	20,622.50		20,622.50		9,257.55
08/01/2032	250,622.50		250,622.50	271,245.00	109,949.18
02/01/2033	14,125.00		14,125.00		6,055.88
08/01/2033	259,125.00		259,125.00	273,250.00	108,571.45
02/01/2034	7,203.75		7,203.75		2,949.73
08/01/2034	262,203.75		262,203.75	269,407.50	104,925.15
	5,432,552.50	4,417,478.08	1,015,074.42	1,015,074.42	389,129.78

Savings Summary

PV of savings from cash flow	389,129.78
Less: Prior funds on hand	(273,842.82)
Net PV Savings	115,286.96

Note: *Preliminary, subject to change.

SUMMARY OF REFUNDING RESULTS

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.65%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Dated Date	08/29/2014
Delivery Date	08/29/2014
Arbitrage yield	4.650495%
Escrow yield	
Value of Negative Arbitrage	
Bond Par Amount	3,114,433.93
True Interest Cost	4.650495%
Net Interest Cost	4.650000%
Average Coupon	4.650000%
Average Life	8.998
Par amount of refunded bonds	3,220,000.00
Average coupon of refunded bonds	5.611043%
Average life of refunded bonds	12.169
PV of prior debt to 08/29/2014 @ 4.650495%	3,503,563.71
Net PV Savings	115,286.96
Percentage savings of refunded bonds	3.580340%
Percentage savings of refunding bonds	3.701699%

Note: *Preliminary, subject to change.

BOND PRICING

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.65%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:					
	02/01/2015	78,546.89	4.650%	4.650%	100.000
	08/01/2015	69,109.24	4.650%	4.650%	100.000
	02/01/2016	70,716.02	4.650%	4.650%	100.000
	08/01/2016	72,360.17	4.650%	4.650%	100.000
	02/01/2017	74,042.55	4.650%	4.650%	100.000
	08/01/2017	75,764.04	4.650%	4.650%	100.000
	02/01/2018	77,525.55	4.650%	4.650%	100.000
	08/01/2018	79,328.02	4.650%	4.650%	100.000
	02/01/2019	81,172.39	4.650%	4.650%	100.000
	08/01/2019	83,059.65	4.650%	4.650%	100.000
	02/01/2020	84,990.79	4.650%	4.650%	100.000
	08/01/2020	86,966.83	4.650%	4.650%	100.000
	02/01/2021	88,988.80	4.650%	4.650%	100.000
	08/01/2021	91,057.79	4.650%	4.650%	100.000
	02/01/2022	93,174.89	4.650%	4.650%	100.000
	08/01/2022	95,341.20	4.650%	4.650%	100.000
	02/01/2023	97,557.89	4.650%	4.650%	100.000
	08/01/2023	99,826.11	4.650%	4.650%	100.000
	02/01/2024	102,147.06	4.650%	4.650%	100.000
	08/01/2024	104,521.98	4.650%	4.650%	100.000
	02/01/2025	106,952.12	4.650%	4.650%	100.000
	08/01/2025	109,438.76	4.650%	4.650%	100.000
	02/01/2026	111,983.21	4.650%	4.650%	100.000
	08/01/2026	114,586.82	4.650%	4.650%	100.000
	02/01/2027	117,250.96	4.650%	4.650%	100.000
	08/01/2027	119,977.05	4.650%	4.650%	100.000
	02/01/2028	122,766.51	4.650%	4.650%	100.000
	08/01/2028	125,620.83	4.650%	4.650%	100.000
	02/01/2029	128,541.52	4.650%	4.650%	100.000
	08/01/2029	131,530.11	4.650%	4.650%	100.000
	02/01/2030	134,588.18	4.650%	4.650%	100.000
	08/01/2030	85,000.00	4.650%	4.650%	100.000
		3,114,433.93			

Dated Date	08/29/2014	
Delivery Date	08/29/2014	
First Coupon	02/01/2015	
Par Amount	3,114,433.93	
Original Issue Discount		
Production	3,114,433.93	100.000000%
Underwriter's Discount		
Purchase Price	3,114,433.93	100.000000%
Accrued Interest		
Net Proceeds	3,114,433.93	

Note: *Preliminary, subject to change.

BOND SUMMARY STATISTICS

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.65%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Dated Date	08/29/2014
Delivery Date	08/29/2014
Last Maturity	08/01/2030
Arbitrage Yield	4.650495%
True Interest Cost (TIC)	4.650495%
Net Interest Cost (NIC)	4.650000%
All-In TIC	5.317794%
Average Coupon	4.650000%
Average Life (years)	8.998
Duration of Issue (years)	7.130
Par Amount	3,114,433.93
Bond Proceeds	3,114,433.93
Total Interest	1,303,044.15
Net Interest	1,303,044.15
Bond Years from Dated Date	28,022,455.57
Bond Years from Delivery Date	28,022,455.57
Total Debt Service	4,417,478.08
Maximum Annual Debt Service	279,387.22
Average Annual Debt Service	277,441.05
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	

Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	3,114,433.93	100.000	4.650%	8.998
	3,114,433.93			8.998

	TIC	All-In TIC	Arbitrage Yield
Par Value	3,114,433.93	3,114,433.93	3,114,433.93
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		(140,000.00)	
- Other Amounts			
Target Value	3,114,433.93	2,974,433.93	3,114,433.93
Target Date	08/29/2014	08/29/2014	08/29/2014
Yield	4.650495%	5.317794%	4.650495%

Note: *Preliminary, subject to change.

BOND DEBT SERVICE

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.65%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Dated Date 08/29/2014
Delivery Date 08/29/2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2015	78,546.89	4.650%	61,146.72	139,693.61	
08/01/2015	69,109.24	4.650%	70,584.37	139,693.61	279,387.22
02/01/2016	70,716.02	4.650%	68,977.58	139,693.60	
08/01/2016	72,360.17	4.650%	67,333.44	139,693.61	279,387.21
02/01/2017	74,042.55	4.650%	65,651.06	139,693.61	
08/01/2017	75,764.04	4.650%	63,929.57	139,693.61	279,387.22
02/01/2018	77,525.55	4.650%	62,168.06	139,693.61	
08/01/2018	79,328.02	4.650%	60,365.59	139,693.61	279,387.22
02/01/2019	81,172.39	4.650%	58,521.21	139,693.60	
08/01/2019	83,059.65	4.650%	56,633.96	139,693.61	279,387.21
02/01/2020	84,990.79	4.650%	54,702.82	139,693.61	
08/01/2020	86,966.83	4.650%	52,726.78	139,693.61	279,387.22
02/01/2021	88,988.80	4.650%	50,704.80	139,693.60	
08/01/2021	91,057.79	4.650%	48,635.81	139,693.60	279,387.20
02/01/2022	93,174.89	4.650%	46,518.72	139,693.61	
08/01/2022	95,341.20	4.650%	44,352.40	139,693.60	279,387.21
02/01/2023	97,557.89	4.650%	42,135.72	139,693.61	
08/01/2023	99,826.11	4.650%	39,867.50	139,693.61	279,387.22
02/01/2024	102,147.06	4.650%	37,546.54	139,693.60	
08/01/2024	104,521.98	4.650%	35,171.62	139,693.60	279,387.20
02/01/2025	106,952.12	4.650%	32,741.49	139,693.61	
08/01/2025	109,438.76	4.650%	30,254.85	139,693.61	279,387.22
02/01/2026	111,983.21	4.650%	27,710.40	139,693.61	
08/01/2026	114,586.82	4.650%	25,106.79	139,693.61	279,387.22
02/01/2027	117,250.96	4.650%	22,442.65	139,693.61	
08/01/2027	119,977.05	4.650%	19,716.56	139,693.61	279,387.22
02/01/2028	122,766.51	4.650%	16,927.10	139,693.61	
08/01/2028	125,620.83	4.650%	14,072.77	139,693.60	279,387.21
02/01/2029	128,541.52	4.650%	11,152.09	139,693.61	
08/01/2029	131,530.11	4.650%	8,163.50	139,693.61	279,387.22
02/01/2030	134,588.18	4.650%	5,105.43	139,693.61	
08/01/2030	85,000.00	4.650%	1,976.25	86,976.25	226,669.86
	3,114,433.93		1,303,044.15	4,417,478.08	4,417,478.08

Note: *Preliminary, subject to change.

BOND DEBT SERVICE

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.65%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Dated Date 08/29/2014
Delivery Date 08/29/2014

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2015	147,656.13	4.650%	131,731.09	279,387.22
08/01/2016	143,076.19	4.650%	136,311.02	279,387.21
08/01/2017	149,806.59	4.650%	129,580.63	279,387.22
08/01/2018	156,853.57	4.650%	122,533.65	279,387.22
08/01/2019	164,232.04	4.650%	115,155.17	279,387.21
08/01/2020	171,957.62	4.650%	107,429.60	279,387.22
08/01/2021	180,046.59	4.650%	99,340.61	279,387.20
08/01/2022	188,516.09	4.650%	90,871.12	279,387.21
08/01/2023	197,384.00	4.650%	82,003.22	279,387.22
08/01/2024	206,669.04	4.650%	72,718.16	279,387.20
08/01/2025	216,390.88	4.650%	62,996.34	279,387.22
08/01/2026	226,570.03	4.650%	52,817.19	279,387.22
08/01/2027	237,228.01	4.650%	42,159.21	279,387.22
08/01/2028	248,387.34	4.650%	30,999.87	279,387.21
08/01/2029	260,071.63	4.650%	19,315.59	279,387.22
08/01/2030	219,588.18	4.650%	7,081.68	226,669.86
	3,114,433.93		1,303,044.15	4,417,478.08

Note: *Preliminary, subject to change.

SUMMARY OF BONDS REFUNDED

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.65%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2004 COP, 2004COP:					
SERIAL	08/01/2015	5.000%	95,000.00	09/28/2014	100.000
	08/01/2016	5.100%	100,000.00	09/28/2014	100.000
	08/01/2017	5.200%	100,000.00	09/28/2014	100.000
	08/01/2018	5.300%	110,000.00	09/28/2014	100.000
	08/01/2019	5.400%	115,000.00	09/28/2014	100.000
TERM26	08/01/2020	5.500%	120,000.00	09/28/2014	100.000
	08/01/2021	5.550%	125,000.00	09/28/2014	100.000
	08/01/2022	5.550%	135,000.00	09/28/2014	100.000
	08/01/2023	5.550%	140,000.00	09/28/2014	100.000
	08/01/2024	5.550%	150,000.00	09/28/2014	100.000
	08/01/2025	5.550%	155,000.00	09/28/2014	100.000
	08/01/2026	5.550%	165,000.00	09/28/2014	100.000
TERM34	08/01/2027	5.650%	175,000.00	09/28/2014	100.000
	08/01/2028	5.650%	185,000.00	09/28/2014	100.000
	08/01/2029	5.650%	195,000.00	09/28/2014	100.000
	08/01/2030	5.650%	205,000.00	09/28/2014	100.000
	08/01/2031	5.650%	220,000.00	09/28/2014	100.000
	08/01/2032	5.650%	230,000.00	09/28/2014	100.000
	08/01/2033	5.650%	245,000.00	09/28/2014	100.000
	08/01/2034	5.650%	255,000.00	09/28/2014	100.000
			3,220,000.00		

Note: *Preliminary, subject to change.

PRIOR BOND DEBT SERVICE

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.65%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2015	95,000	5.000%	178,590.00	273,590.00
08/01/2016	100,000	5.100%	173,840.00	273,840.00
08/01/2017	100,000	5.200%	168,740.00	268,740.00
08/01/2018	110,000	5.300%	163,540.00	273,540.00
08/01/2019	115,000	5.400%	157,710.00	272,710.00
08/01/2020	120,000	5.500%	151,500.00	271,500.00
08/01/2021	125,000	5.550%	144,900.00	269,900.00
08/01/2022	135,000	5.550%	137,962.50	272,962.50
08/01/2023	140,000	5.550%	130,470.00	270,470.00
08/01/2024	150,000	5.550%	122,700.00	272,700.00
08/01/2025	155,000	5.550%	114,375.00	269,375.00
08/01/2026	165,000	5.550%	105,772.50	270,772.50
08/01/2027	175,000	5.650%	96,615.00	271,615.00
08/01/2028	185,000	5.650%	86,727.50	271,727.50
08/01/2029	195,000	5.650%	76,275.00	271,275.00
08/01/2030	205,000	5.650%	65,257.50	270,257.50
08/01/2031	220,000	5.650%	53,675.00	273,675.00
08/01/2032	230,000	5.650%	41,245.00	271,245.00
08/01/2033	245,000	5.650%	28,250.00	273,250.00
08/01/2034	255,000	5.650%	14,407.50	269,407.50
	3,220,000		2,212,552.50	5,432,552.50

Note: *Preliminary, subject to change.

ESCROW REQUIREMENTS

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.65%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Period Ending	Interest	Principal Redeemed	Total
09/28/2014	28,276.75	3,220,000.00	3,248,276.75
	28,276.75	3,220,000.00	3,248,276.75

Note: *Preliminary, subject to change.

ESCROW COST

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.65%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
08/29/2014		3,248,276.75	3,248,276.75
	0	3,248,276.75	3,248,276.75

Note: *Preliminary, subject to change.

ESCROW COST DETAIL

\$3,114,433.93*
 CITY OF PACIFIC GROVE, CALIFORNIA
 (2004 Golf Course Project)
 Refunding Certificates of Participation, Series 2014
 9-Year Average Life with Level DS @ 4.65%
 TAXABLE PRIVATE PLACEMENT
 Preliminary Numbers: As of August 13, 2014

Escrow	Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
CASH	08/29/2014		273,842.82	273,842.82
PROCEEDS	08/29/2014		2,974,433.93	2,974,433.93
		0	3,248,276.75	3,248,276.75

Note: *Preliminary, subject to change.

ESCROW SUFFICIENCY

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.65%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
08/29/2014		3,248,276.75	3,248,276.75	3,248,276.75
09/28/2014	3,248,276.75		(3,248,276.75)	
	3,248,276.75	3,248,276.75	0.00	

Note: *Preliminary, subject to change.

ESCROW STATISTICS

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.65%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
CASH	273,842.82				272,830.56		1,012.26
PROCEEDS	2,974,433.93				2,963,438.96		10,994.97
	3,248,276.75				3,236,269.52	0.00	12,007.23

Delivery date 08/29/2014
Arbitrage yield 4.650495%

Note: *Preliminary, subject to change.

SOURCES AND USES OF FUNDS

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.35%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Dated Date 08/29/2014

Delivery Date 08/29/2014

Sources:

Bond Proceeds:	
Par Amount	3,114,433.93
Other Sources of Funds:	
Prior DSR Transfer	273,842.82
	3,388,276.75

Uses:

Refunding Escrow Deposits:	
Cash Deposit	3,248,276.75
Cost of Issuance:	
Bank Counsel	15,000.00
Escrow Agent	750.00
Title/Escrow	6,000.00
Placement Agent	30,000.00
Bond Counsel	86,782.83
CDIAC (\$0.15/bond, \$3k max)	467.17
Contingency	1,000.00
	140,000.00
	3,388,276.75

Note: *Preliminary, subject to change.

SAVINGS

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.35%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 08/29/2014 @ 4.3504293%
02/01/2015	89,295.00	136,636.63	(47,341.63)		(46,489.13)
08/01/2015	184,295.00	136,636.63	47,658.37	316.74	45,803.83
02/01/2016	86,920.00	136,636.63	(49,716.63)		(46,764.77)
08/01/2016	186,920.00	136,636.62	50,283.38	566.75	46,290.94
02/01/2017	84,370.00	136,636.63	(52,266.63)		(47,092.36)
08/01/2017	184,370.00	136,636.63	47,733.37	(4,533.26)	42,092.28
02/01/2018	81,770.00	136,636.63	(54,866.63)		(47,352.52)
08/01/2018	191,770.00	136,636.63	55,133.37	266.74	46,569.74
02/01/2019	78,855.00	136,636.62	(57,781.62)		(47,767.60)
08/01/2019	193,855.00	136,636.62	57,218.38	(563.24)	46,294.96
02/01/2020	75,750.00	136,636.62	(60,886.62)		(48,214.15)
08/01/2020	195,750.00	136,636.63	59,113.37	(1,773.25)	45,813.43
02/01/2021	72,450.00	136,636.62	(64,186.62)		(48,686.21)
08/01/2021	197,450.00	136,636.63	60,813.37	(3,373.25)	45,145.56
02/01/2022	68,981.25	136,636.63	(67,655.38)		(49,155.57)
08/01/2022	203,981.25	136,636.62	67,344.63	(310.75)	47,888.12
02/01/2023	65,235.00	136,636.63	(71,401.63)		(49,692.10)
08/01/2023	205,235.00	136,636.63	68,598.37	(2,803.26)	46,724.80
02/01/2024	61,350.00	136,636.62	(75,286.62)		(50,188.70)
08/01/2024	211,350.00	136,636.62	74,713.38	(573.24)	48,746.22
02/01/2025	57,187.50	136,636.63	(79,449.13)		(50,732.49)
08/01/2025	212,187.50	136,636.62	75,550.88	(3,898.25)	47,216.20
02/01/2026	52,886.25	136,636.62	(83,750.37)		(51,226.26)
08/01/2026	217,886.25	136,636.63	81,249.62	(2,500.75)	48,638.67
02/01/2027	48,307.50	136,636.62	(88,329.12)		(51,750.99)
08/01/2027	223,307.50	136,636.62	86,670.88	(1,658.24)	49,698.40
02/01/2028	43,363.75	136,636.63	(93,272.88)		(52,345.46)
08/01/2028	228,363.75	136,636.62	91,727.13	(1,545.75)	50,382.06
02/01/2029	38,137.50	136,636.63	(98,499.13)		(52,949.88)
08/01/2029	233,137.50	136,636.62	96,500.88	(1,998.25)	50,771.30
02/01/2030	32,628.75	136,636.63	(104,007.88)		(53,555.94)
08/01/2030	237,628.75	91,957.50	145,671.25	41,663.37	73,412.45
02/01/2031	26,837.50		26,837.50		13,237.09
08/01/2031	246,837.50		246,837.50	273,675.00	119,155.99
02/01/2032	20,622.50		20,622.50		9,743.18
08/01/2032	250,622.50		250,622.50	271,245.00	115,886.73
02/01/2033	14,125.00		14,125.00		6,392.29
08/01/2033	259,125.00		259,125.00	273,250.00	114,770.91
02/01/2034	7,203.75		7,203.75		3,122.74
08/01/2034	262,203.75		262,203.75	269,407.50	111,242.39
	5,432,552.50	4,327,692.89	1,104,859.61	1,104,859.61	481,076.14

Savings Summary

PV of savings from cash flow	481,076.14
Less: Prior funds on hand	(273,842.82)
Net PV Savings	207,233.32

Note: *Preliminary, subject to change.

SUMMARY OF REFUNDING RESULTS

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.35%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Dated Date	08/29/2014
Delivery Date	08/29/2014
Arbitrage yield	4.350429%
Escrow yield	
Value of Negative Arbitrage	
Bond Par Amount	3,114,433.93
True Interest Cost	4.350429%
Net Interest Cost	4.350000%
Average Coupon	4.350000%
Average Life	8.955
Par amount of refunded bonds	3,220,000.00
Average coupon of refunded bonds	5.611043%
Average life of refunded bonds	12.169
PV of prior debt to 08/29/2014 @ 4.350429%	3,595,510.07
Net PV Savings	207,233.32
Percentage savings of refunded bonds	6.435817%
Percentage savings of refunding bonds	6.653964%

Note: *Preliminary, subject to change.

BOND PRICING

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.35%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:					
	02/01/2015	79,434.86	4.350%	4.350%	100.000
	08/01/2015	70,625.40	4.350%	4.350%	100.000
	02/01/2016	72,161.50	4.350%	4.350%	100.000
	08/01/2016	73,731.01	4.350%	4.350%	100.000
	02/01/2017	75,334.66	4.350%	4.350%	100.000
	08/01/2017	76,973.19	4.350%	4.350%	100.000
	02/01/2018	78,647.36	4.350%	4.350%	100.000
	08/01/2018	80,357.94	4.350%	4.350%	100.000
	02/01/2019	82,105.72	4.350%	4.350%	100.000
	08/01/2019	83,891.52	4.350%	4.350%	100.000
	02/01/2020	85,716.16	4.350%	4.350%	100.000
	08/01/2020	87,580.49	4.350%	4.350%	100.000
	02/01/2021	89,485.36	4.350%	4.350%	100.000
	08/01/2021	91,431.67	4.350%	4.350%	100.000
	02/01/2022	93,420.31	4.350%	4.350%	100.000
	08/01/2022	95,452.20	4.350%	4.350%	100.000
	02/01/2023	97,528.29	4.350%	4.350%	100.000
	08/01/2023	99,649.53	4.350%	4.350%	100.000
	02/01/2024	101,816.90	4.350%	4.350%	100.000
	08/01/2024	104,031.42	4.350%	4.350%	100.000
	02/01/2025	106,294.11	4.350%	4.350%	100.000
	08/01/2025	108,606.00	4.350%	4.350%	100.000
	02/01/2026	110,968.18	4.350%	4.350%	100.000
	08/01/2026	113,381.74	4.350%	4.350%	100.000
	02/01/2027	115,847.79	4.350%	4.350%	100.000
	08/01/2027	118,367.48	4.350%	4.350%	100.000
	02/01/2028	120,941.98	4.350%	4.350%	100.000
	08/01/2028	123,572.46	4.350%	4.350%	100.000
	02/01/2029	126,260.17	4.350%	4.350%	100.000
	08/01/2029	129,006.32	4.350%	4.350%	100.000
	02/01/2030	131,812.21	4.350%	4.350%	100.000
	08/01/2030	90,000.00	4.350%	4.350%	100.000
		3,114,433.93			

Dated Date	08/29/2014	
Delivery Date	08/29/2014	
First Coupon	02/01/2015	
Par Amount	3,114,433.93	
Original Issue Discount		
Production	3,114,433.93	100.000000%
Underwriter's Discount		
Purchase Price	3,114,433.93	100.000000%
Accrued Interest		
Net Proceeds	3,114,433.93	

Note: *Preliminary, subject to change.

BOND SUMMARY STATISTICS

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.35%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Dated Date	08/29/2014
Delivery Date	08/29/2014
Last Maturity	08/01/2030
Arbitrage Yield	4.350429%
True Interest Cost (TIC)	4.350429%
Net Interest Cost (NIC)	4.350000%
All-In TIC	5.010239%
Average Coupon	4.350000%
Average Life (years)	8.955
Duration of Issue (years)	7.200
Par Amount	3,114,433.93
Bond Proceeds	3,114,433.93
Total Interest	1,213,258.96
Net Interest	1,213,258.96
Bond Years from Dated Date	27,891,011.10
Bond Years from Delivery Date	27,891,011.10
Total Debt Service	4,327,692.89
Maximum Annual Debt Service	273,273.26
Average Annual Debt Service	271,802.07
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	

Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	3,114,433.93	100.000	4.350%	8.955
	3,114,433.93			8.955

	TIC	All-In TIC	Arbitrage Yield
Par Value	3,114,433.93	3,114,433.93	3,114,433.93
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		(140,000.00)	
- Other Amounts			
	-----	-----	-----
Target Value	3,114,433.93	2,974,433.93	3,114,433.93
Target Date	08/29/2014	08/29/2014	08/29/2014
Yield	4.350429%	5.010239%	4.350429%

Note: *Preliminary, subject to change.

BOND DEBT SERVICE

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.35%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Dated Date 08/29/2014
Delivery Date 08/29/2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2015	79,434.86	4.350%	57,201.77	136,636.63	
08/01/2015	70,625.40	4.350%	66,011.23	136,636.63	273,273.26
02/01/2016	72,161.50	4.350%	64,475.13	136,636.63	
08/01/2016	73,731.01	4.350%	62,905.61	136,636.62	273,273.25
02/01/2017	75,334.66	4.350%	61,301.97	136,636.63	
08/01/2017	76,973.19	4.350%	59,663.44	136,636.63	273,273.26
02/01/2018	78,647.36	4.350%	57,989.27	136,636.63	
08/01/2018	80,357.94	4.350%	56,278.69	136,636.63	273,273.26
02/01/2019	82,105.72	4.350%	54,530.90	136,636.62	
08/01/2019	83,891.52	4.350%	52,745.10	136,636.62	273,273.24
02/01/2020	85,716.16	4.350%	50,920.46	136,636.62	
08/01/2020	87,580.49	4.350%	49,056.14	136,636.63	273,273.25
02/01/2021	89,485.36	4.350%	47,151.26	136,636.62	
08/01/2021	91,431.67	4.350%	45,204.96	136,636.63	273,273.25
02/01/2022	93,420.31	4.350%	43,216.32	136,636.63	
08/01/2022	95,452.20	4.350%	41,184.42	136,636.62	273,273.25
02/01/2023	97,528.29	4.350%	39,108.34	136,636.63	
08/01/2023	99,649.53	4.350%	36,987.10	136,636.63	273,273.26
02/01/2024	101,816.90	4.350%	34,819.72	136,636.62	
08/01/2024	104,031.42	4.350%	32,605.20	136,636.62	273,273.24
02/01/2025	106,294.11	4.350%	30,342.52	136,636.63	
08/01/2025	108,606.00	4.350%	28,030.62	136,636.62	273,273.25
02/01/2026	110,968.18	4.350%	25,668.44	136,636.62	
08/01/2026	113,381.74	4.350%	23,254.89	136,636.63	273,273.25
02/01/2027	115,847.79	4.350%	20,788.83	136,636.62	
08/01/2027	118,367.48	4.350%	18,269.14	136,636.62	273,273.24
02/01/2028	120,941.98	4.350%	15,694.65	136,636.63	
08/01/2028	123,572.46	4.350%	13,064.16	136,636.62	273,273.25
02/01/2029	126,260.17	4.350%	10,376.46	136,636.63	
08/01/2029	129,006.32	4.350%	7,630.30	136,636.62	273,273.25
02/01/2030	131,812.21	4.350%	4,824.42	136,636.63	
08/01/2030	90,000.00	4.350%	1,957.50	91,957.50	228,594.13
	3,114,433.93		1,213,258.96	4,327,692.89	4,327,692.89

Note: *Preliminary, subject to change.

BOND DEBT SERVICE

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.35%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Dated Date 08/29/2014
Delivery Date 08/29/2014

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2015	150,060.26	4.350%	123,213.00	273,273.26
08/01/2016	145,892.51	4.350%	127,380.74	273,273.25
08/01/2017	152,307.85	4.350%	120,965.41	273,273.26
08/01/2018	159,005.30	4.350%	114,267.96	273,273.26
08/01/2019	165,997.24	4.350%	107,276.00	273,273.24
08/01/2020	173,296.65	4.350%	99,976.60	273,273.25
08/01/2021	180,917.03	4.350%	92,356.22	273,273.25
08/01/2022	188,872.51	4.350%	84,400.74	273,273.25
08/01/2023	197,177.82	4.350%	76,095.44	273,273.26
08/01/2024	205,848.32	4.350%	67,424.92	273,273.24
08/01/2025	214,900.11	4.350%	58,373.14	273,273.25
08/01/2026	224,349.92	4.350%	48,923.33	273,273.25
08/01/2027	234,215.27	4.350%	39,057.97	273,273.24
08/01/2028	244,514.44	4.350%	28,758.81	273,273.25
08/01/2029	255,266.49	4.350%	18,006.76	273,273.25
08/01/2030	221,812.21	4.350%	6,781.92	228,594.13
	3,114,433.93		1,213,258.96	4,327,692.89

Note: *Preliminary, subject to change.

SUMMARY OF BONDS REFUNDED

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.35%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2004 COP, 2004COP:					
SERIAL	08/01/2015	5.000%	95,000.00	09/28/2014	100.000
	08/01/2016	5.100%	100,000.00	09/28/2014	100.000
	08/01/2017	5.200%	100,000.00	09/28/2014	100.000
	08/01/2018	5.300%	110,000.00	09/28/2014	100.000
	08/01/2019	5.400%	115,000.00	09/28/2014	100.000
TERM26	08/01/2020	5.500%	120,000.00	09/28/2014	100.000
	08/01/2021	5.550%	125,000.00	09/28/2014	100.000
	08/01/2022	5.550%	135,000.00	09/28/2014	100.000
	08/01/2023	5.550%	140,000.00	09/28/2014	100.000
	08/01/2024	5.550%	150,000.00	09/28/2014	100.000
	08/01/2025	5.550%	155,000.00	09/28/2014	100.000
	08/01/2026	5.550%	165,000.00	09/28/2014	100.000
TERM34	08/01/2027	5.650%	175,000.00	09/28/2014	100.000
	08/01/2028	5.650%	185,000.00	09/28/2014	100.000
	08/01/2029	5.650%	195,000.00	09/28/2014	100.000
	08/01/2030	5.650%	205,000.00	09/28/2014	100.000
	08/01/2031	5.650%	220,000.00	09/28/2014	100.000
	08/01/2032	5.650%	230,000.00	09/28/2014	100.000
	08/01/2033	5.650%	245,000.00	09/28/2014	100.000
	08/01/2034	5.650%	255,000.00	09/28/2014	100.000
			3,220,000.00		

Note: *Preliminary, subject to change.

PRIOR BOND DEBT SERVICE

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.35%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2015	95,000	5.000%	178,590.00	273,590.00
08/01/2016	100,000	5.100%	173,840.00	273,840.00
08/01/2017	100,000	5.200%	168,740.00	268,740.00
08/01/2018	110,000	5.300%	163,540.00	273,540.00
08/01/2019	115,000	5.400%	157,710.00	272,710.00
08/01/2020	120,000	5.500%	151,500.00	271,500.00
08/01/2021	125,000	5.550%	144,900.00	269,900.00
08/01/2022	135,000	5.550%	137,962.50	272,962.50
08/01/2023	140,000	5.550%	130,470.00	270,470.00
08/01/2024	150,000	5.550%	122,700.00	272,700.00
08/01/2025	155,000	5.550%	114,375.00	269,375.00
08/01/2026	165,000	5.550%	105,772.50	270,772.50
08/01/2027	175,000	5.650%	96,615.00	271,615.00
08/01/2028	185,000	5.650%	86,727.50	271,727.50
08/01/2029	195,000	5.650%	76,275.00	271,275.00
08/01/2030	205,000	5.650%	65,257.50	270,257.50
08/01/2031	220,000	5.650%	53,675.00	273,675.00
08/01/2032	230,000	5.650%	41,245.00	271,245.00
08/01/2033	245,000	5.650%	28,250.00	273,250.00
08/01/2034	255,000	5.650%	14,407.50	269,407.50
	3,220,000		2,212,552.50	5,432,552.50

Note: *Preliminary, subject to change.

ESCROW REQUIREMENTS

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.35%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Period Ending	Interest	Principal Redeemed	Total
09/28/2014	28,276.75	3,220,000.00	3,248,276.75
	28,276.75	3,220,000.00	3,248,276.75

Note: *Preliminary, subject to change.

ESCROW COST

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.35%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
08/29/2014		3,248,276.75	3,248,276.75
	0	3,248,276.75	3,248,276.75

Note: *Preliminary, subject to change.

ESCROW COST DETAIL

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.35%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Escrow	Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
CASH	08/29/2014		273,842.82	273,842.82
PROCEEDS	08/29/2014		2,974,433.93	2,974,433.93
		0	3,248,276.75	3,248,276.75

Note: *Preliminary, subject to change.

ESCROW SUFFICIENCY

\$3,114,433.93*

CITY OF PACIFIC GROVE, CALIFORNIA

(2004 Golf Course Project)

Refunding Certificates of Participation, Series 2014

9-Year Average Life with Level DS @ 4.35%

TAXABLE PRIVATE PLACEMENT

Preliminary Numbers: As of August 13, 2014

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
08/29/2014		3,248,276.75	3,248,276.75	3,248,276.75
09/28/2014	3,248,276.75		(3,248,276.75)	
	3,248,276.75	3,248,276.75	0.00	

Note: *Preliminary, subject to change.

ESCROW STATISTICS

\$3,114,433.93*
CITY OF PACIFIC GROVE, CALIFORNIA
(2004 Golf Course Project)
Refunding Certificates of Participation, Series 2014
9-Year Average Life with Level DS @ 4.35%
TAXABLE PRIVATE PLACEMENT
Preliminary Numbers: As of August 13, 2014

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
CASH	273,842.82				272,895.07		947.75
PROCEEDS	2,974,433.93				2,964,139.60		10,294.33
	3,248,276.75				3,237,034.67	0.00	11,242.08

Delivery date 08/29/2014
Arbitrage yield 4.350429%

Note: *Preliminary, subject to change.