Attachment 9

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

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2015

NEW ISSUE - FULL BOOK-ENTRY **RATING: Standard & Poor's: "____"**
See "RATING"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the Bonds.

$__________*

GARDEN GROVE PUBLIC FINANCING AUTHORITY
Lease Revenue Bonds, Series 2015A

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

Authority for Issuance. The bonds captioned above (the "Bonds") are being issued by the Garden Grove Public Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority and an Indenture dated as of November 1, 2015 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). See "THE BONDS – Authority for Issuance."

Use of Proceeds. The Bonds are being issued to (a) refinance outstanding lease obligations of the City and the related Certificates of Participation, (b) finance the acquisition and construction of improvements to a fire station and police headquarters building in the City, and (c) to pay the costs of issuing the Bonds. See "FINANCING PLAN."

Security for the Bonds. Under the Indenture, the Bonds are payable from and secured by a first pledge of and lien on Base Rental Payments (as defined in this Official Statement) received by the Authority under the Lease Agreement dated as of November 1, 2015 (the "Lease"), between the Authority, as lessor, and the City of Garden Grove (the "City"), as lessee, as further described in this Official Statement. The Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE BONDS."

Bond Terms; Book-Entry Only. The Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2016, and will be issued in fully registered form without coupons in the denomination of $5,000 or any integral multiple of $5,000. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – General Provisions."

Redemption. The Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary mandatory redemption prior to maturity. See "THE BONDS – Redemption."

NEITHER THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL THEREOF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF BASE RENTAL PAYMENTS AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

MATURITY SCHEDULE
(see inside cover)

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

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. The Underwriter is being represented by its counsel, Norton Rose Fulbright US LLP, Los Angeles, California. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about ___, 2015.

RAMIREZ & CO., INC. **MESIROW FINANCIAL, INC.**

The date of this Official Statement is: ______, 2015

* *Preliminary; subject to change.*

MATURITY SCHEDULE*

$__________ Serial Bonds
(Base CUSIP†: ______)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

† Copyright 2015, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City, the Authority nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

* *Preliminary; subject to change*

GARDEN GROVE PUBLIC FINANCING AUTHORITY
CITY OF GARDEN GROVE
ORANGE COUNTY, CALIFORNIA

BOARD OF DIRECTORS
OF THE AUTHORITY AND MEMBERS OF THE CITY COUNCIL

Bao Nguyen, *Chairman and Mayor*
Steve Jones, *Vice Chairman and Mayor Pro Tempore*
Kris Beard, *Member and Council Member*
Phat Bui, *Member and Council Member*
Christopher Phan, *Member and Council Member*

CITY OFFICERS

Scott C. Stiles, *City Manager*
Kingsley Okereke, *Assistant City Manager/Finance Director*
Kathy Bailor, *City Clerk*

FINANCING SERVICES

BOND COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

DISCLOSURE COUNSEL

Jones Hall,
A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

Urban Futures Incorporated
Orange, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

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

Limited Scope of Information. The City has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Indenture.

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

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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OFFICIAL STATEMENT

$__________*
GARDEN GROVE PUBLIC FINANCING AUTHORITY
Lease Revenue Bonds, Series 2015A

INTRODUCTION

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

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

Authority for Issuance. The Garden Grove Public Financing Authority (the "**Authority**") is issuing the bonds captioned above (the "**Bonds**") under the following:

(a) the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code (the "**Law**"),

(b) a resolution adopted by the Board of Directors (the "**Board**") of the Authority adopted on September 22, 2015 (the "**Authority Resolution**"), and a resolution adopted by the City Council (the "**City Council**") of the City of Garden Grove (the "**City**") on September 22, 2015 (the "**City Resolution**"), and

(c) an Indenture (the "**Indenture**") dated as of November 1, 2015, between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**").

The Authority. The Authority is a joint powers authority formed under a Joint Exercise of Powers Agreement dated as of June 22, 1993, between the City and the Garden Grove Agency for Community Development, and under Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended, for the purpose, among others, of having the Authority provide financial assistance to the City by entering into, among other arrangements, lease/leasebacks with the City. By an amendment to

* *Preliminary; subject to change.*

the Joint Exercise of Powers Agreement dated as of March 28, 2006, the Garden Grove Sanitary District has also become a member of the Authority. See "THE AUTHORITY" herein.

The City. The City is located in central Orange County approximately twenty-five miles southeast of downtown Los Angeles. The City encompasses an area of 17.8 square miles and is the largest general law city in the State. The City was incorporated on June 18, 1956, and had an estimated population of 174,774 as of January 1, 2015. See "APPENDIX D - GENERAL INFORMATION ABOUT THE CITY OF GARDEN GROVE AND ORANGE COUNTY."

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

Purpose of the Bonds. The Bonds are being issued to provide funds to (a) refinance the City of Garden Grove Certificates of Participation Series A of 2002 (2002 Financing Project) (the "**2002 COPs**") and the related lease payment obligations of the City, (b) finance the acquisition and/or construction a fire station, police building renovations, and/or other public capital improvements, and (c) to pay the costs of issuing the Bonds.

Security for the Bonds and Pledge of Revenues. Under the Indenture, the Bonds are payable from and secured by a first pledge of and lien on the "**Base Rental Payments**" (as defined in this Official Statement) received by the Authority under the Lease Agreement dated as of November 1, 2015 (the "**Lease**"), between the Authority, as lessor, and the City, as lessee. The Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE BONDS."

The City and the Authority will enter into a Ground Lease dated as of November 1, 2015 (the "**Ground Lease**"), under which the City will lease certain real property to the Authority, consisting of a public park, community meeting center and related facilities (collectively, the "**Property**"), as described in "THE PROPERTY," in return for an upfront rental payment. Concurrently, the City and the Authority will enter into the Lease, under which the Authority will lease the Property back to the City in return for the annual Base Rental Payments. See "SECURITY FOR THE BONDS."

Redemption. The Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary mandatory redemption prior to their stated maturity dates. See "THE BONDS – Redemption."

Abatement. The Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's use and possession of the Property or any portion thereof. If the Base Rental Payments are abated under the Lease, the Bond Owners would receive less than the full amount of principal of and interest on the Bonds. To the extent proceeds of rental interruption insurance are available, Base Rental Payments (or a portion thereof) may be made from those proceeds during periods of abatement. See "SECURITY FOR THE BONDS – Abatement" and "BOND OWNERS' RISKS."

Risks of Investment. Debt service on the Bonds is payable only from Base Rental Payments and other amounts payable by the City to the Authority under the Lease. For a discussion of some of the risks associated with the purchase of the Bonds, see "BOND OWNERS' RISKS."

NEITHER THE BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

THE FINANCING PLAN

Refinancing of 2002 Certificates.

The Authority is selling the Bonds to provide moneys to refund the City's obligations under a Lease/Purchase Agreement dated as of March 1, 2002 (the "**2002 Lease**") between the Authority and the City, and thereby provide moneys to refund the outstanding City of Garden Grove Certificates of Participation Series A of 2002 (2002 Financing Project) issued in the aggregate original principal amount of $22,735,000 (the "**2002 Certificates**").

A portion of the proceeds of the Bonds, together with certain moneys on deposit with the Trustee for the 2002 Certificates, will be used on the date of original issuance of the Bonds (the "**Closing Date**") to establish an escrow fund (the "**Escrow Fund**") for the 2002 Certificates and the City's lease payment obligations under the 2002 Lease, to be held in trust by U.S. Bank National Association, acting as escrow agent for the 2002 Certificates (the "**Escrow Bank**") under an Escrow Deposit and Trust Agreement between the City and the Escrow Bank, dated as of November 1, 2015 (the "**Escrow Agreement**"). Amounts so deposited with the Escrow Bank will be in an amount which is sufficient to pay the principal and interest with respect to the 2002 Certificates coming due and payable through and including the date of on which the 2002 Certificates are called for prepayment, and the prepayment price of the remaining 2002 Certificates called for prepayment. Pursuant to the Escrow Agreement, the City will irrevocably elect to call the 2002 Certificates for prepayment in full on a date within 30 days of the Closing Date, at a prepayment price equal to the principal amount of the outstanding 2002 Certificates outstanding and accrued interest represented thereby through the prepayment date, without premium.

Upon deposit of such proceeds and other moneys into the Escrow Fund, the City's obligations under the 2002 Lease will be satisfied and discharged, and the 2002 Certificates will no longer be deemed outstanding and will be fully discharged and defeased in accordance with the documents relating to the issuance of the 2002 Certificates.

Sufficiency of the deposits in the Escrow Fund for such purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the **"Verification Agent"**). See "ESCROW VERIFICATION" herein.

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the 2002 Certificates. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the Bonds.

Project Financing

A portion of the proceeds of the Bonds will be applied to finance the following capital improvements of the City:

Fire Station No. 6 Project

Fire Station Number 6 is an existing fire station which is located at 12111 Chapman Avenue in the City. A portion of the proceeds of the Bonds will be used to build a new fire station with an apparatus room to accommodate larger fire engines and living quarters that are ADA compliant and gender neutral. The construction of a new Fire Station No. 6 to be financed from the proceeds of the Bonds are in furtherance of the City's overall goals to achieve a fire station size of approximately 9,700 square feet which includes three apparatus bays, eight dorm rooms, kitchen, exercise room, workshop, emergency generator, 2,000 gallon fuel storage tank. The total estimated cost of the improvements to Fire Station No. 6 is $7,000,000, and the construction is expected to be completed by December, 2017.

Police Headquarters Lobby Renovation Project

The police headquarters building of the City is located at 11301 Acacia Parkway in the City. A portion of the proceeds of the Bonds will be applied to finance improvements to the lobby of the building, in order to enhance security, increase the number of workspaces, provide small interview rooms to facilitate the taking of reports from citizens, and permit personnel to monitor activities as necessary. Additional improvements include a computer log-in system. The total estimated cost of the police headquarters building improvements is $1,000,000, and the improvements are expected to be completed by December, 2016.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Bonds are as follows:

Sources:	
Principal Amount of Bonds	$
Plus 2002 Certificates Available Funds	
Plus (Less): Original Issue Premium (Discount)	
TOTAL SOURCES:	$
Uses:	
Escrow Fund [1]	$
Construction Fund	
Costs of Issuance Fund [2]	
Underwriter's Discount	
TOTAL USES:	$

[1] To be applied to refinance the 2002 Certificates as described above.

[2] Represents funds to be used to pay Costs of Issuance, which include legal fees, printing costs, rating agency fees and other costs of issuing the Bonds.

THE PROPERTY

Under the terms of the Ground Lease, the City will lease the Property to the Authority. Under the terms of the Lease, the Authority will concurrently lease the Property back to the City. Under the Lease, the City and the Authority have agreed and determined that the Lease Payments required to be made under the Lease represent the fair rental value of the Property. The Property consists of the following:

Garden Grove Park

Garden Grove Park is a public park consisting of approximately 36 acres, located in the City at the intersection of Atlantis Way and Westminster Avenue. The property is improved with park facilities and a gymnasium, including restrooms, storage area, concession stand, play equipment, bleachers, a covered picnic area and paved parking areas. The property is zoned for open space purposes. The estimated value of the land on which Garden Grove Park is situated is $14,200,000, and the estimated value of the buildings and other facilities is $5,541,780. The valuation of the land is based on a discounted square footage cost of comparable land due to the open space zoning, and the valuation of buildings and other facilities is based on the City's estimate of the replacement costs for insurance purposes.

Community Meeting Center

The Garden Grove Community Meeting Center contains approximately 21,000 square feet and includes the Council Chambers at the Community Center, police station annex and conference rooms. The property includes a Senior Center of approximately 10,500 square feet, together with parking and related facilities. The land on which such facilities are situated, including surface parking and open space property, is approximately 10.3 acres and has an estimated value of $4.5 million. The estimated value of the Community Center buildings is approximately $4.3 million and the estimated value of the Senior Center is approximately $2.2 million, and the estimated value of the Police Annex Building is approximately $1.15 million. The valuation of the land is based on a discounted square footage cost of comparable land due to the open space zoning, and the valuation of buildings and other facilities is based on the City's estimate of the replacement costs for insurance purposes.

Changes to Property

Under the Lease, the City has the right, at its expense, to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the City and neither the Authority nor the Trustee has any interest therein. Such additions, modifications and improvements shall not in any way damage the Property or cause it 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 pursuant to this Section, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such additions, modifications and improvements.

The City may install or permit to be installed other items of equipment or other personal property in or upon the Property. All such items will remain the sole property of the City and may be modified or removed by the City at any time, provided that the City must repair all damage to the Property resulting from the installation, modification or removal of any such items.

Substitution or Release of the Property

The City has the right to substitute alternate real property for all or any portion of the Property or to release a portion of the Property from the Lease. All costs and expenses incurred in connection with such substitution or release shall be borne by the City. Notwithstanding any substitution or release of Property pursuant to the provisions of the Lease, there shall be no reduction in or abatement of the Base Rental Payments as a result of such substitution or release. Any such substitution or release of any portion of the Property is subject to the following specific conditions precedent:

(a) an independent certified real estate appraiser selected by the City has found that the Property, as constituted after such substitution or release, (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any twelve-month period commencing on September 1 of each year during the term of the Lease (each, a "**Rental Period**"), and (ii) has a useful life in excess of the final maturity of any outstanding Bonds;

(b) the City has obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in the amount at least equal to the aggregate principal amount of any Outstanding Bonds of the type and with the endorsements as set forth in the original title insurance policy which is delivered with respect to the Bonds;

(c) the City has provided the Trustee with an opinion of bond counsel to the effect that such substitution or release will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(d) the City, the Authority and the Trustee have executed, and the City has caused to be recorded with the Orange County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted real property in the description of the Property contained in the Lease and the Ground Lease; and

(e) the City has provided notice of such substitution to each rating agency then rating the Bonds.

THE BONDS

This section provides summaries of the Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The Bonds are being issued under the Law, the Authority Resolution (which was adopted by the Board of the Authority on September 22, 2015), the City Resolution (which was adopted by the City Council on September 22, 2015), and the Indenture. Under the Authority Resolution and the City Resolution, the Bonds may be issued in a principal amount not to exceed $28,000,000.

General Provisions

Bond Terms. The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of $5,000 or any integral multiple of $5,000 (each, an "**Authorized Denomination**"). The Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

Payments of Principal and Interest. Interest on the Bonds will be payable on March 1 and September 1 in each year, beginning March 1, 2016 (each an "**Interest Payment Date**").

While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the Bonds. See "– Book-Entry Only System" below.

Interest on the Bonds will be computed on the basis of a 360-day year composed of 12 months of 30 days each. Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th calendar day of the month immediately preceding such Interest Payment Date (each, a "**Record Date**"), in which event it will bear interest from such Interest Payment Date, (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon is payable from the Closing Date, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon is payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the bond registration books of the Trustee (the "**Registration Books**") at the close of business on the immediately preceding Record Date. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Bonds is payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the City by the Trustee in writing (the "**Office**").

Transfer, Registration and Exchange

The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

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

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

Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same series of other Authorized Denominations. The Trustee shall require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Limitations. The Trustee is not obligated to make any transfer or exchange of Bonds of a series during the period established by the Trustee for the selection of Bonds of such series for redemption, or with respect to any Bonds of such series selected for redemption.

Redemption

Optional Redemption. The Bonds maturing on or before September 1, 20__, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__, are subject to redemption in whole, or in part at the at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on any date on or after September 1, 20__, from any available source of funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 20___ (the **"Term Bonds"**), are subject to mandatory sinking fund redemption on September 1 of each year in accordance with the schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

Mandatory Sinking Fund Redemption of Bonds Maturing September 1, 20___

Redemption Date (September 1)	Sinking Fund Redemption

If some but not all of the Term Bonds have been redeemed pursuant to optional redemption, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount or accreted value of the Term Bonds so redeemed, to be allocated among such sinking fund payments on such basis as the Authority may designate in a written request of the Authority filed with the Trustee.

Extraordinary Mandatory Redemption. The Bonds are subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Insurance Proceeds received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund pursuant to the applicable provisions of the Indenture, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium. See "SECURITY FOR THE BONDS - Application of Insurance Proceeds" herein.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee will select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. The Trustee on behalf and at the expense of the Authority will mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption.

Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

However, while the Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Authority and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.

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

Effect of Redemption. Notice having been mailed as described above, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Bonds will become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the redemption price of all the Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and destroyed.

Rescission of Redemption Notice. The Authority has the right to rescind any notice of the redemption of Bonds under the Indenture by written notice to the Trustee on or prior to the dated fixed for redemption.

Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

Book-Entry Only System

The Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in Authorized Denominations, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM" for further information regarding DTC and the book-entry system.

DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the Bonds.

Year Ending September 1	Principal	Interest	Total Debt Service
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
Total:			

SECURITY FOR THE BONDS

The principal of and interest on the Bonds are not a debt of the Authority or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues of the Authority or the City, except the Base Rental Payments and other amounts pledged under the Indenture.

This section provides summaries of the security for the Bonds and certain provisions of the Indenture, the Lease and the Ground Lease. See "APPENDIX A – Summary of Principal Legal Documents" for a more complete summary of the Indenture, the Lease and the Ground Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Pledge of Base Rental Payments

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Base Rental Payments and all amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund established under the Indenture are pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of the Indenture. This pledge constitutes a lien on and security interest in the Base Rental Payments and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Assignment to Trustee

Under the Assignment Agreement, the Authority will transfer to the Trustee all of its right, title and interest in and to the Ground Lease and the Lease including, without limitation, its right to receive the Base Rental Payments to be paid by the City under and pursuant to the Lease; provided, however, that the Authority shall retain its obligations under the Lease and Ground Lease, the rights to indemnification, to give approvals and consents under the Lease and the Ground Lease and to payment or reimbursement of its reasonable costs and expenses under the Lease.

The Trustee accepts the foregoing assignment, subject to the terms and provisions of the Indenture, and all such Base Rental Payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Lease and the Indenture.

As a result of such assignment, all Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Base Rental Payment Fund.

Allocation of Base Rental Payment Fund

The Trustee shall transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner hereinafter provided, to the following respective funds:

(a) *Deposit to Interest Account*. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall transfer from the Base Rental Fund to the Interest Fund the amount, if any, necessary to cause the amount on deposit in the Interest Fund to be equal to the interest due on the Bonds on such Interest Payment Date.

(b) *Deposit to Principal Fund*. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall transfer from the Base Rental Fund to the Principal Fund the amount, if any, necessary to cause the amount on deposit in the Principal Fund to be equal to the principal amount of the Bonds due on such Interest Payment Date, either as a result of the maturity thereof or mandatory sinking fund redemption payments required to be made with respect thereto. Moneys in the Principal Fund will be used by the Trustee for the purpose of paying the principal of the Bonds when due and payable at their maturity dates or upon earlier mandatory sinking fund redemption.

(c) *Deposit to Redemption Fund*. The Trustee, on the redemption date specified in the written request of the City filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein from the net proceeds of insurance with respect to the Property as described below. Moneys in the Redemption Fund will be used by the Trustee for the purpose of paying the principal of and interest and premium, if any, on Bonds to be redeemed under the Indenture, other than the mandatory sinking fund redemption of Term Bonds, which will be funded from amounts on deposit in the Principal Fund.

Application of Net Insurance Proceeds

Insurance Proceeds from Damage to Property. If the Property or any portion thereof is damaged or destroyed, the City shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Lease.

Any insurance proceeds or condemnation award in excess of $50,000, paid with respect to any of the Property (other than the proceeds of rental interruption insurance), remaining after payment therefrom of all reasonable expenses incurred in the collection thereof (the "**Net Insurance Proceeds**"), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a written request of the City, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the City in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the City shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the City intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the City does intend to replace or repair the Property or portions thereof, the City shall deposit with the Trustee the full amount of any insurance deductible to be credited to the special account.

If the damage, destruction or loss was such that there resulted a substantial interference with the City's right to the use or occupancy of the Property and an abatement of Rental Payments results from such damage or destruction under the Lease, then the City shall be required either to:

(a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or

(b) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption in full of all the Outstanding Bonds or all of those Outstanding Bonds which would have been payable from that portion of the Base Rental Payments which are abated as a result of the damage or destruction.

Funds to be applied to the redemption of Bonds in accordance with clause (b) above shall be deposited in the Redemption Fund. If the City is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds shall, if there is first delivered to the Trustee a written certificate of the City to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the principal amount of the Outstanding Bonds, be paid to the City to be used for any lawful purpose.

Eminent Domain Proceeds. The proceeds of any award in eminent domain received in respect to the Property shall be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds under the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Title Insurance Proceeds. The proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the City determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the City under the Lease, such proceeds shall be remitted to the City and used for any lawful purpose thereof; or

(b) if the City determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Rental Payments payable by the City under the Lease, then the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in Indenture and any Supplemental Indenture pursuant to which Additional Bonds are issued.

Rental Payments

Base Rental Payments. Under the Lease, subject to the provisions of the Lease concerning rental abatement and prepayment of Base Rental Payments, the City agrees to pay to the Authority, its successors and assigns, the Base Rental Payments in the respective amounts specified in the Lease, to be deposited with the Trustee on the respective Base Rental Payment Dates specified in the Lease (defined as the 15th calendar day of the month immediately preceding each Interest Payment Date). Amounts required to be deposited by the City with the Trustee on any date will be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Notwithstanding any dispute between the Authority and the City, the City will make all Base Rental Payments when due without deduction or offset of any kind and will not withhold any Base Rental Payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for any Base Rental Payment or any portion thereof, said payments or excess of payments, as the case may be, will be credited against subsequent Base Rental Payments coming due under the Lease or will be refunded at the time of such determination.

Additional Rental Payments. The City also agrees under the Lease to pay the following amounts as additional rental for the right to the use and occupancy of the Property under the Lease (the "**Additional Rental Payments**"):

(a) all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein;

(b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease or to defend the Authority and its members, officers, agents and employees;

(c) insurance premiums for all insurance required under the Lease;

(d) any amounts with respect to the Lease or the Bonds required to be rebated to the federal government in accordance with applicable provisions of federal tax law relating to the Bonds; and

(e) all other payments required to be paid by the City under the provisions of the Lease or the Indenture.

Amounts constituting Additional Rental Payments payable under the Lease will be paid by the City directly to the person or persons to whom such amounts shall be payable. The City will 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 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

The Base Rental Payments and the Additional Rental Payments (collectively, the "**Rental Payments**") are payable in any Rental Period are for the use of the Property during such Rental Period.

Rate on Overdue Payments. Any Rental Payment which is not paid by the City when due and payable under the terms of the Lease will bear interest from the date when the same is due thereunder until paid at the rate equal to the highest rate of interest on any of the outstanding Bonds.

Fair Rental Value. The City and the Authority have agreed and determined under the Lease that the annual fair rental value of the Property is not less than the maximum annual Rental Payments due in any year. In making such determination of fair rental value, consideration has been given to the uses and purposes that may be served by the Property and the benefits therefrom which will accrue to the City and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

Limited Obligation

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA, OR OF ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Source of Payments; Appropriations Covenant

The Base Rental Payments are payable from any source of available funds of the City, subject to the provisions of the Lease regarding abatement.

The City covenants to take such action as may be necessary to include all Rental Payments due under the Lease as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The City will deliver to the Authority and the Trustee a written certificate of the City stating that its final annual budget includes all Base Rental Payments due in such fiscal year within ten days after the filing or adoption thereof. Such covenants of the City shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

Abatement

During any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, the Lease will continue in full force and effect but the Rental Payments will be subject to abatement proportionately. The amount of such abatement will be agreed upon by the City and the Authority; *provided, however*, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period.

The City and the Authority shall calculate the amount of such abatement and shall provide the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease will be extended until the date upon which (i) all Bonds are fully paid, or provision therefor made in accordance the Indenture, or (ii) the Indenture is discharged by its terms and all Rental Payments have been paid in full. Notwithstanding the foregoing, the term of the Lease shall in no event be extended more than ten years beyond such Termination Date (the "**Maximum Lease Term**").

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, the Rental Payments will not be abated as described above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

Issuance of Additional Bonds

The Authority may at any time issue one or more series of additional bonds ("**Additional Bonds**") (in addition to the Bonds) payable from Base Rental Payments as provided in the Indenture on a parity with the Bonds, but only subject to the conditions set forth in the Indenture, including the following:

(i) The Authority is in compliance with all agreements, conditions, covenants and terms contained in the Indenture, the Lease and the Ground Lease required to be observed or performed by it; and

(ii) The Ground Lease has been amended, to the extent necessary, and the Lease has been amended so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the payment of the principal of and interest on such Additional Bonds; provided, however, that no such amendment shall be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period shall be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith.

Insurance

Liability Insurance. The City is required under the Lease to maintain or cause to be maintained, throughout the term of this Lease, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees. 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 use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 per occurrence for bodily injuries to or death of one or more persons and/or property damage. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City provided such self-insurance complies with the provisions of the Lease. The Net Insurance Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Insurance Proceeds of such insurance shall have been paid.

Property Insurance. The City is required to maintain or cause to be maintained, fire, lightning and special extended coverage insurance (which shall include coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. All insurance required to be maintained pursuant to this provision may be subject to a deductible in an amount not to exceed $500,000. Such insurance may be satisfied by self-insurance, provided such self-insurance complies with the provisions described below.

Worker's Compensation Insurance. The City is also required to maintain or cause to be maintained, throughout the term of the Lease, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Property and to cover full liability for compensation under any such act. Such insurance may be satisfied by self-insurance, provided such self-insurance complies with the provisions described below.

Rental Interruption Insurance. The City will maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered under the property insurance policy which is described above, in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City is not permitted to maintain rental interruption insurance through self-insurance.

Title Insurance. On the date of original delivery of the Bonds, the City will provide one or more CLTA or ALTA title insurance policies for the Property issued by Chicago Title Company, in the aggregate amount of not less than the initial aggregate principal amount of the Bonds. Said policy or policies shall insure (a) the fee interest of the City in the Property, (b) the Authority's ground leasehold estate in the Property under the Ground Lease, and (c) the City's leasehold estate in the Property, subject only to Permitted Encumbrances as defined in the Lease. So long as any of the Bonds remain outstanding, each policy of title insurance will provide that all proceeds thereunder are payable to the Trustee for the benefit of the Bond Owners. The City is not permitted to maintain title insurance through self-insurance.

Insurance Net Proceeds; Form of Policies. The foregoing policies of insurance shall be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of a professionally certified risk manager or an independent insurance consultant, to be adequate for the purposes of the Lease.

The City will pay or cause to be paid when due the premiums for all insurance policies required under the Lease, and will promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies shall provide that the Trustee is given 30 days notice of the expiration thereof or any intended cancellation thereof. The Trustee is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The City shall cause to be delivered to the Trustee on or before August 15 each year a schedule of the insurance policies being maintained in accordance with the Lease and a written certificate of the City stating that such policies are in full force and effect and that the City is in full compliance with the insurance requirements of the Lease.

Self-Insurance. Any self-insurance maintained by the City shall comply with the following terms:

(a) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by the actuary or by an independent insurance consultant, shall be maintained; and

(b) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated periodically by an independent actuary or by an independent insurance consultant and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of an independent actuary or such independent insurance consultant, as applicable.

CITY FINANCIAL INFORMATION

General

The City of Garden Grove is located in central Orange County approximately twenty-five miles southeast of downtown Los Angeles. It is the fifth largest city in Orange County and the twenty-fifth largest in the State. Despite the City's comparatively large size, it is a relatively young community, having been incorporated on June 18, 1956. During the late 1950's and the 1960's, the City experienced rapid growth as suburban development moved from Los Angeles County to Orange County.

The City encompasses an area of 17.8 square miles and is the largest general law city in the State. It has a council-Manager form of government with the Mayor elected at large for a two-year term and four Councilmembers elected at large for four-year staggered terms. The City Council engages the City Manager and City Attorney. The City Manager has the responsibility for hiring the department heads and for administering the City's programs in accordance with the policies adopted by the City Council. The City is a full service city, and services provided by the City include police, fire, paramedic, street maintenance, park maintenance, water, sewer, refuse, recreation, traffic/transportation, public improvements, planning, zoning, and general administrative services. Also included in the City's overall operations are the Garden Grove Housing Authority, the Garden Grove Sanitary District, the Garden Grove Public Financing Authority, and the City of Garden Grove as Successor Agency to the Garden Grove Redevelopment Agency Private Purpose Trust Fund.

See "APPENDIX D - GENERAL INFORMATION ABOUT THE CITY OF GARDEN GROVE AND ORANGE COUNTY."

City Budgets

Annual Budget Process. A key element of the City's financial management process is the development and approval of the annual budget. Section 2.08.150 of the Garden Grove Municipal Code requires the City Manager to prepare and submit the proposed annual budget and salary plan to the City Council for approval. The City Council conducts various public budget review sessions, as necessary, and adopts the budget at a noticed public hearing. The City Council adopts a fund level budget annually. The City Council thus controls appropriations at the fund level. The City Manager is authorized to transfer appropriations within a fund between the various programs and/or departments. Budgetary control is maintained by a monthly financial reporting system. Unspent appropriations lapse at year-end unless specifically approved for carry-over to the subsequent year by resolution of the City Council.

The City budget report is prepared under the direction of the City Manager in accordance with generally accepted accounting principles (GAAP) and the requirements of the City's Municipal Code. Annual budgets are legally adopted for the general fund, special revenue funds, and capital projects funds. These funds are budgeted based on the modified accrual basis of accounting and include proposed expenditures and the means of financing them. The City Council approves the total budgeted appropriations and any amendments to total appropriations which may be required during the year. Revenues are budgeted by source, and expenditures are budgeted by program.

The legal level of budgetary control is considered to be at the fund level since management can reassign resources within a fund without special approval from City Council.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions which alter the total appropriations of any fund must be approved by City Council.

Adopted Fiscal Year 2015-16 Budget. The fiscal year 2015-16 Budget anticipates $______ million in revenue, a __% increase over the 2014-15 Budget, however there are notable increases in some revenue sources. The largest percentage increase is in the tax category, due to an assumed increase of __% on the secured property taxes, an estimated increase of __% in sales tax, and an estimated increase of ___% in Transient Occupancy Tax (TOT). All are at the highest revenue level to date.

The General Fund operating expenditure plan presented in the fiscal year 2015-16 Budget is $____ million and represents a __% increase over the 2014-15 Budget. Personnel costs are __% higher than the 2014-15 Budget due to changed or added positions and estimated increases in employee benefit and retirement costs.

City's Budgeted and Actual Figures. The table below sets forth (i) a comparison of the City's general fund budget to the actual figures for Fiscal Year 2013-14, (ii) a comparison of the City's general fund budget for Fiscal Year 2014-15 to actual year-to-date figures as of June 30, 2015, and (iii) the City's adopted general fund budget for Fiscal Year 2015-16.

TABLE 1
CITY OF GARDEN GROVE
General Fund Budgeted and Actual Figures, Fiscal Years 2013-14 and 2014-15, and General Fund Budget, Fiscal Year 2015-16

	2013-14 Original Budget	2013-14 Actual	2014-15 Original Budget	2014-15 Actual Year-End [1]	2015-16 Adopted Budget
Revenues					
Taxes	$72,977,000	$77,006,861			
Licenses and permits	1,094,000	1,374,997			
Fines, forfeits and penalties	2,371,000	1,943,974			
Investment earnings	1,350,000	1,483,214			
Charges for current services	5,320,984	5,578,466			
From other agencies	260,000	184,154			
Other revenues	1,238,000	1,671,996			
Total Revenues	84,610,984	89,243,662			
Expenditures					
Current:					
Fire	19,779,538	19,741,276			
Police	44,445,005	45,637,878			
Traffic safety	1,154,968	1,300,673			
Public right of way	4,836,269	3,923,526			
Community buildings	3,390,192	3,086,169			
Community services	2,837,768	2,770,034			
Parks and greenbelts	1,344,568	1,221,611			
Community planning and development	4,685,802	4,333,447			
Municipal support	6,677,596	6,975,861			
Capital outlay:					
Police	--	9,584			
Public right of way	234,000	277,846			
Community services	23,000	--			
Parks and green belts	20,000	--			
Community planning and development	3,000,000	1,198,245			
Debt service:					
Principal retirement	872,381	1,055,553			
Interest and other charges	1,021,528	1,114,663			
Total expenditures	94,322,615	92,646,366			
Excess of revenues over expenditures	(9,711,631)	(3,402,704)			
Other financing sources (uses):					
Transfers in	--	2,855,770			
Transfers out	--	(376,106)			
Proceeds from sale of assets	1,000,000	1,307,264			
Total other financing sources (uses)	1,000,000	3,786,928			
Net Change in fund balance	(8,711,631)	384,224			
Fund balance, Beginning of year	32,462,247	32,462,247			
Fund balance, end of year	$23,750,616	$32,846,471			

Source: City of Garden Grove.

City's Financial Policies

Strategic Plan. For financial planning purposes, the City maintains a comprehensive citywide Five-Year Financial Forecast and Plan, and a focused General Fund Three-Year

Budget Plan

Five-Year Operating Plan. In accordance with the provisions of the City's Municipal Code, a five-year forecast covering operating revenue and expenditures, labor usage, sources and uses of funds are prepared annually based on national and local economic assumptions.

Five-Year Capital Plan. The City of Garden Grove is responsible for the planning and operation of capital improvements that lie within the public right-of-way. These improvements include streets, traffic signals and control devices, storm drains, streetlights, parks, sewer and water systems. In addition, the City must develop and maintain its own buildings and infrastructure.

Five-Year Financial Plan. The City has successfully utilized the Three-Year Budget Plan to maintain a balanced budget and weather the impacts of the 2008 economic recession. As the Three-Year Budget Plan came to an end in fiscal year 2014-15, a new effort is underway to develop a comprehensive and realistic five-year forecast/budget plan for the City, covering fiscal years 2015-16 through 2019-20. The plan will set forth a framework for Council and staff to examine the City's fiscal outlook, outline budget priorities, forecast expenditures and revenues, and assist in the development of annual strategies to address the City's structural deficit.

Investment Policy

The City maintains an investment policy that is updated annually and reviewed and approved by the City Council. The City's investment objectives as outlined in the policy are in the following order: safety of principal, liquidity and yield. To meet these objectives, the City of Garden Grove attempts to obtain the highest yield on its investments consistent with the preservation of principal and liquidity. The yield benchmark for the City is the 6-month Treasury Bill as listed in the Money Rates section of the Wall Street Journal A full copy of the current Investment Policy is attached as APPENDIX G.

Financial Statements

Accounting Policies. The basic financial statements of the City are prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014" for a full presentation of the City's accounting policies.

Management's Discussion and Analysis. One key change resulting from the adoption of GASB Statement No. 34 is the inclusion of management's discussion and analysis as required supplementary information. See "APPENDIX B – AUDITED FINANCIAL

STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014" for a full presentation of management's discussion and analysis for the most recent Fiscal Year.

Audited Financial Statements. The City's most recent audited financial statements for the Fiscal Year ending June 30, 2014, are attached as "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014" to this Official Statement, which were prepared by the City and audited by Macias Gini & O'Connell LLP, Certified Public Accountants, Newport Beach, California (the "**Auditor**").

The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or the General Fund. In addition, the Auditor has not reviewed this Official Statement.

General Fund Financial Data

The following tables provide a five-year history of the City's Comparative Balance Sheet, and summarize General Fund revenues, expenditures, transfers, and ending fund balances for the City for Fiscal Years 2009-10 through 2013-14.

TABLE 2
CITY OF GARDEN GROVE
GENERAL FUND BALANCE SHEET
Fiscal Years Ending June 30, 2010 through June 30, 2014 (Audited) and June 30, 2015 (Unaudited)

	Audited 2010	Audited 2011	Audited 2012	Audited 2013	Audited 2014	Unaudited 2015
Assets						
Cash and cash investments	$7,904,017	$5,686,109	19,243,314	$18,130,206	$18,715,527	
Cash and cash investments with fiscal agents	--	--	12,478	12,478	12,478	
Taxes receivable	3,388,666	3,944,385	4,767,952	4,134,135	4,227,429	
Accounts receivable	2,583,519	2,683,368	2,681,962	3,530,336	2,927,103	
Interest receivable	257,580	273,305	263,572	197,684	217,990	
Notes receivable	255,145	255,145	2,051,045	--	--	
Intercity loans receivable	43,481,440	40,055,622	37,932,998	37,932,999	37,932,999	
Due from other funds	123,639	--		--	--	
Prepaid items	27,082	135,354		--	13,164	
Notes receivable	--	--		2,101,532	2,636,097	
Allowance(1)	--	--	(24,558,020)	(24,558,020)	(24,558,020)	
Total assets	$58,021,088	$53,033,288	$42,395,301	$41,481,350	$42,124,767	
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	1,877,010	946,539	1,077,285	$1,270,537	$681,585	
Accrued liabilities	3,226,255	873,445	1,117,070	1,149,716	1,483,006	
Refundable deposits	1,462,536	1,748,539	1,729,744	2,487,787	2,594,501	
Due to other funds	--	--	--			
Deferred revenue	3,433,367	1,523,985	3,685,801	--	--	
Total liabilities	9,999,168	5,092,508	7,609,900	4,908,040	4,759,092	
Deferred inflows of resources:						
Unavailable revenue	--	--	--	4,111,063	4,519,204	
Fund balances:						
Nonspendable:						
Intercity loans(1)	41,527,953	40,055,622	13,374,978	13,374,978	13,374,979	
Prepaid items	27,082	135,354	--	--	--	
Assigned:						
Post-employment benefits	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
Garden Grove tourism improve. district			52,501	138,678	231,011	
Property tax lawsuit	500,000	500,000	500,000	500,000	500,000	
Building improvements	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	
Other purposes	3,198,454	383,736				
General plan	397,632		113,271	132,509	222,764	
Unassigned		4,566,068	18,444,651	16,016,082	16,217,717	
Unreserved	70,799	--	--	--	--	
Total fund balances	48,021,920	47,940,780	34,785,401	32,462,247	32,846,471	
Total Liabilities and Fund Balances	$58,021,088	$53,033,288	$42,395,301	$41,481,350	$42,124,767	

(1) The General fund has made loans to the (i) Water Utility Fund, and (ii) former redevelopment agency to assist in funding the former redevelopment agency operating budget. The City has set up 100% allowances on these loans. See "Note D- Detailed Notes on all Funds- 2. Intercity loans receivable/payable at June 30, 2014."
Source: City of Garden Grove, audited financial statements.

The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

TABLE 3
CITY OF GARDEN GROVE
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years Ending June 30, 2010 through June 30, 2014 (Audited)

	2010	2011	2012	2013	2014
Revenues					
Taxes	$57,643,015	$64,693,623	$68,858,608	$74,316,362	$77,006,861
Licenses and permits	1,528,941	934,987	916,423	1,095,981	1,374,997
Fines, forfeits and penalties	2,013,500	2,016,452	2,070,130	2,123,064	1,943,974
Investment earnings	4,280,621	2,490,611	886,346	1,538,269	1,483,214
Charges for current services	7,374,567	8,020,557	6,531,365	5,409,080	5,578,466
From other agencies	568,965	1,610,649	949,521	307,645	184,154
Other revenues	1,581,784	3,674,789	887,069	2,279,296	1,671,996
Total Revenues	74,991,393	83,441,668	81,199,462	87,069,697	89,243,662
Expenditures					
Current:					
Fire	19,211,569	18,813,320	19,808,069	19,953,947	19,741,276
Police	42,439,495	42,582,703	43,864,635	44,069,860	45,637,878
Traffic safety	601,525	371,514	860,095	654,746	1,300,673
Public right of way	4,634,348	3,554,992	3,353,490	3,596,909	3,923,526
Drainage	530	--	--	--	--
Community buildings	3,339,895	3,161,457	3,492,077	3,042,643	3,086,169
Community services	2,244,272	2,316,403	2,666,404	2,729,067	2,770,034
Parks and greenbelts	835,463	857,057	1,087,760	1,135,994	1,221,611
Community planning and development	2,412,750	2,861,139	3,280,515	3,434,384	4,333,447
Municipal support	6,642,039	6,570,348	8,142,646	6,589,998	6,975,861
Capital outlay:					
Police	--	31,033	--	--	9,584
Public right of way	--	147,448	105,659	75,722	277,846
Community buildings	--	13,415	--	--	--
Community planning and development	10,880	--	5,982,475	2,533,013	1,198,245
Municipal support	--	--	18,626	--	--
Debt service:					
Principal retirement	846,673	881,774	970,488	1,028,580	1,055,553
Interest and other charges	1,187,777	101,919	144,994	1,181,161	1,114,663
Total expenditures	84,407,216	82,264,522	93,777,933	90,026,024	92,646,366
Excess of revenues over expenditures	(9,415,823)	1,177,146	(12,678,471)	(2,956,327)	(3,402,704)
Other financing sources (uses):					
Proceeds from sale of assets	--	--	--	--	1,307,264
Issuance of debt	--	--	1,856,127	--	--
Transfers in	6,517,902	700,000	22,387,094	808,575	2,855,770
Transfers out	(2,042,565)	(1,958,286)	(24,720,129)	(175,402)	(376,106)
Total other financing sources (uses)	4,475,337	(1,258,286)	(476,908)	633,173	3,786,928
Net Change in fund balance	(4,940,486)	(81,140)	(13,155,379)	(2,323,154)	384,224
Fund balances, July 1	52,962,406	48,021,920	47,940,780	34,785,401	32,462,247
Fund balances, June 30	$48,021,920	$47,940,780	$34,785,401	$32,462,247	$32,846,471

Source: City of Garden Grove, audited financial statements.

General Fund Revenues by Source

The City's three largest sources of revenue expected for fiscal year 2015-16 are shown in the following table:

	Budgeted Dollar Amount	Percentage of Total Revenues

Taxes and Other Revenues

Taxes received by the City are listed in the table below. Certain general taxes currently imposed by the City are affected by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS –Articles XIIIC and XIIID of the State Constitution."

The following table presents the tax revenues and franchise revenues of the City's General Fund for the last four Fiscal Years and the next budget year:

TABLE 4
CITY OF GARDEN GROVE
General Fund Tax Revenues By Source

	Actual 2011-12	Actual 2012-13	Actual 2013-14	Estimated 2014-15	Budgeted 2015-16
Property taxes(1)	$43,920,463	$35,145,142	$35,286,424		
Sales taxes	18,461,031	19,804,727	20,285,111		
Transient occupancy taxes	12,319,744	14,447,817	16,442,817		
Business operation taxes	4,756,384	4,809,344	4,953,958		
Franchise taxes	2,540,297	2,506,722	2,483,878		
Motor vehicle taxes	86,882	90,025	74,506		

(1) Decreases in property tax revenue is primarily due to Proposition 8 reductions in assessed valuation, due to the general economic recession. See "RISK FACTORS – Property Taxes- Appeals of Assessed Values."
Source: City of Garden Grove.

Property Taxes

General. Property taxes represent the largest source of tax revenue to the City. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" and "RISK FACTORS – Property Taxes" for a description of risks associated with the levy and collection of property tax revenues.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13 ("**Proposition 13**"), property tax revenues were reduced by two-thirds and thereafter limited to 2% annual increases or the consumer price index, whichever is less. See "CONSTITUTIONAL AND STATUTORY

LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIA of the State Constitution" for further description of Proposition 13.

Levy and Collection. Property taxes are levied for each Fiscal Year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as "**secured**" or "**unsecured**" and is listed accordingly on separate parts of the assessment roll. The "**secured roll**" is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "**unsecured roll.**"

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIA of the State Constitution" for further description of Proposition 13.

Teeter Plan. Orange County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), which apply to taxes levied for the City. Under the Teeter Plan, the County guarantees that the City will receive 100% of the taxes levied for it. Any delinquencies are borne by the County, which in return collects and retains all penalties and interest which accrue on the delinquent taxes. Consequently, the City's tax receipts do not reflect any delinquencies. However, the County may decide to discontinue its Teeter Plan in the future, or the City may not be allowed to continue to participate in the County's Teeter Plan if its delinquency rate exceeds 3%.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuation History. The table below presents a 6-year history of the assessed value of property within the City.

TABLE 5
CITY OF GARDEN GROVE
Assessed Valuation
Fiscal Years 2010-11 through 2015-16

Year	Local Secured	Utility	Unsecured	Total
2010-11	$11,582,282,439	$2,134,271	$558,995,914	$12,143,412,624
2011-12	11,756,225,989	2,134,271	537,818,154	12,296,178,414
2012-13	11,880,538,203	2,137,612	521,878,591	12,404,554,406
2013-14	12,299,952,340	2,137,612	539,052,205	12,841,142,157
2014-15	13,021,932,934	2,137,612	619,788,051	13,643,858,597
2015-16		[to come]		

Source: California Municipal Statistics Inc.

Major Property Taxpayers. The following table shows the top 20 local secured property taxpayers for the current Fiscal Year.

TABLE 6
CITY OF GARDEN GROVE
Top Twenty Local Secured Taxpayers
Fiscal Year 2014-15

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total [1]
1.	American Lodging Garden Grove Harbor LLC	Hotel	$ 57,704,006	0.44%
2.	Landmark Marriott Suites LLC	Hotel	53,335,856	0.41
3.	Landmark Hotels II LLC	Hotel	48,658,002	0.37
4.	Park Grove Capital Partners LLC	Apartments	47,500,000	0.36
5.	Chatham Rigg LLC	Hotel	43,674,532	0.34
6.	Newage Garden Grove LLC	Hotel	43,639,124	0.34
7.	HGGA Promenade LP	Shopping Center	43,057,147	0.33
8.	OHI Resort Hotels LLC	Hotel	41,095,146	0.32
9.	CAR NOA GGN LLC	Auto Dealership	32,000,000	0.25
10.	CV Apartments Owner LLC	Apartments	28,000,000	0.22
11.	ROIC California LLC	Shopping Center	27,875,984	0.21
12.	LBA Riv-Company XXVII LLC	Industrial	26,620,310	0.20
13.	Swedlow Inc.	Industrial	26,421,297	0.20
14.	CT Western Industrial LLC	Industrial	26,000,000	0.20
15.	HMZ Retail LP	Shopping Center	23,884,140	0.18
16.	Garden Grove Plaza LLC	Shopping Center	21,103,165	0.16
17.	Walton CWCA Garden Grove 51 LLC	Industrial	20,031,532	0.15
18.	Emlen W. Hoag Foundation	Commercial Structure	19,987,838	0.15
19.	Frome Developments Omega LLC	Industrial	18,955,669	0.15
20.	Stuart Drive/Rose Garden LP	Apartments	18,896,174	0.15
			$668,439,922	5.13%

[1] 2014-15 Local Secured Assessed Valuation: $13,021,932,934.
Source: California Municipal Statistics, Inc.

Sales and Use Taxes

Sales and use taxes represent the second largest source of tax revenue to the City. The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The total sales tax rate within the City is 8.0%, as of July 1, 2015.

Collection of the sales and use tax is administered by the California State Board of Equalization. Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter. The State Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Sales Tax Rates. Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

TABLE 7
CITY OF GARDEN GROVE
Sales Tax Rates
As of July 1, 2015

State (General Fund)	6.250
State (Fiscal Recovery)	0.250
City	1.000
Orange County Local Transportation Authority	0.500
Total	8.000%

Source: California State Board of Equalization.

Application of Sales Tax. Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The sales tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's July 2014 Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at http://www.boe.ca.gov/.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the Board first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the State Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The State Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

History of Taxable Transactions. Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for calendar year 2014.

Total taxable sales during the first quarter of calendar year 2014 in the City were reported to be $422.7 million, a 5.6% decrease over the total taxable sales of $447.9 million reported during the first quarter of calendar year 2013.

TABLE 8
CITY OF GARDEN GROVE
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	2,141	$1,155,616	3,524	$1,361,395
2010	2,277	1,256,993	3,653	1,459,914
2011	2,417	1,396,341	3,792	1,623,150
2012	2,441	1,499,207	3,771	1,771,891
2013	2,517	1,498,319	3,827	1,782,344

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

Other Taxes and Revenues

Transient Occupancy Tax. The transient occupancy tax, sometimes referred to as a hotel tax, is imposed on occupants for the privilege of occupying rooms in hotels, motels, inns and other taxed properties. The City's fastest growing revenue source is the transient occupancy tax. In November 2012, voters passed Measure Y, which increased the tax from 13% to 14.5%.

Motor Vehicle In-Lieu Tax. The State imposes the vehicle license fee (the "**VLF**"), which is the fee paid annually in lieu of personal property taxes on a vehicle, and distributed to cities and counties. The vehicle license fee is based on vehicle value (originally in the amount of 2% of the market value of the vehicle) and declines as the vehicle ages. Since 1998 the fee has been incrementally reduced from 2% of a vehicle's current estimated value, but any such reductions were "backfilled" to local governments by the State from other sources. However, under the 2004-05 State Budget, the VLF was permanently reduced to 0.65% of the estimated value, and backfill by the State to local governments was eliminated, and instead will be met by an increased property tax apportionment to cities and counties. This amounts to approximately $1.9 million annually as a revenue neutral swap for the City.

Franchises. Several State statutes provide cities with the authority to impose fees on privately-owned utility companies and other businesses for the privilege of using city right-of-way. The City collects franchise fees from gas and electric utilities, cable television and garbage franchises.

State Budget

Although the City does not receive an significant portion of its annual revenues directly from the State, the State's financial condition and budget policies affect communities and local public agencies throughout the State. At various times, the State has experienced significant financial and budgetary stress.

Recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, but there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State budget again experience stresses. To the extent that the State budget process results in reduced revenues to the City in the future, the City could be required to make adjustments to its budget.

No Outstanding General Fund Debt

Although the City has a number of outstanding assessment district bonds, which are payable solely from assessments levied within the respective assessment district, the City has no General Fund outstanding long term debt. See APPENDIX B.

Direct and Overlapping Bonded Debt

Set forth following is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and effective August 1, 2015. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

TABLE 9
CITY OF GARDEN GROVE
Statement of Direct and Overlapping Debt
As of June 30, 2015

2014-15 Assessed Valuation: $13,643,858,597

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/15	% Applicable [1]	City's Share of Debt 6/30/15
Metropolitan Water District	$110,420,000	0.588%	$ 649,270
Coast Community College District	609,598,698	6.394	38,977,741
North Orange County Joint Community College District	187,039,001	2.336	4,369,231
Rancho Santiago Community College District	277,290,443	6.127	16,989,585
Rancho Santiago Community College District SFID No. 1	70,585,000	10.756	7,592,123
Garden Grove Unified School District	243,995,160	57.760	140,931,604
Anaheim Union High School District	151,308,955	0.070	105,916
Huntington Beach Union High School District	202,489,998	1.292	2,616,171
Anaheim School District	147,075,460	0.089	130,897
Magnolia School District	16,933,305	0.195	33,137
Westminster School District	75,436,557	7.288	5,497,816
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$217,893,491
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	$ 98,906,000	2.896%	$ 2,864,318
Orange County Pension Obligation Bonds	366,854,623	2.896	10,624,110
Orange County Board of Education Certificates of Participation	15,190,000	2.896	439,902
Municipal Water District of Orange County Water Facilities Corporation	5,360,000	3.459	185,402
North Orange Regional Occupation Program Certificates of Participation	10,450,000	0.025	2,613
Orange Unified School District Certificates of Participation	30,614,699	1.154	353,294
Orange Unified School District Benefit Obligations	84,865,000	1.154	980,496
Anaheim Union High School District Certificates of Participation	35,478,095	0.070	24,835
Huntington Beach Union High School District Certificates of Participation	59,691,090	1.292	771,209
Westminster School District Certificates of Participation	22,410,000	7.288	1,633,241
City of Garden Grove Certificates of Participation	**17,210,000**	**100.000**	**17,210,000**
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$35,089,420
Less: MWDOC Water Facilities Corporation (100% self-supporting)			185,402
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$34,904,018
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$36,305,000	100.000%	$36,305,000
TOTAL DIRECT DEBT			**$17,210,000**
TOTAL GROSS OVERLAPPING DEBT			$272,077,911
TOTAL NET OVERLAPPING DEBT			$271,892,509
GROSS COMBINED TOTAL DEBT			$289,287,911 [2]
NET COMBINED TOTAL DEBT			$289,102,509

(1)The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.60%
Total Direct Debt ($17,210,000)	**0.13%**
Gross Combined Total Debt	2.12%
Net Combined Total Debt	2.12%

Ratios to Redevelopment Successor Agencies Incremental Valuation ($2,748,639,012):

Total Overlapping Tax Increment Debt	1.32%

Source: California Municipal Statistics, Inc.

Employee Relations

The City has 141 authorized regular positions for Fiscal Year 2015-16, of which 38% are sworn public safety personnel. There have been no work stoppages by City employees.

All regular full-time City employees are covered under negotiated agreements and are represented by the labor groups set forth below. [The City is currently in negotiations for the below-listed contracts, and expects settled contracts in ______________]

Labor Group	Contract Expiration Date
Orange County Employee's Association, Garden Grove Chapter	June 30, 2015
Orange County Employee's Association, Garden Grove Employee's League	June 30, 2015
International Association of Fire Fighters, Garden Grove Local 2005	June 30, 2015
Garden Grove Police Association	June 30, 2015
Garden Grove Management Association	June 30, 2015

Risk Management and Self-Insurance

The City maintains internal service funds to account for the City's general liability and workers' compensation claims, automobile, property, and unemployment insurance.

Worker's Compensation. The City utilizes a program to self-insure for workers' compensation liability for the first $1 million, per occurrence, for injury or occupational illness to City employees pursuant to Workers' Compensation Laws of the State. The City contracts with a third party who administers the program and acts as the representative of the City in claim hearings or litigation. Excess coverage is placed with a joint powers authority for losses from $1 million up to the statutory limit per occurrence. This self-insurance program is accounted for in the Workers' Compensation internal service fund. There is an estimated liability of $20,626,000 for claims outstanding including claims incurred but not reported on June 30, 2014, which has been included as liabilities in the Workers' Compensation internal service fund.

The City also has a self-insured program for its tort and civil liabilities. The City is self-funded for the first $2 million of each occurrence. Excess liability insurance is carried thereafter to $30 million per occurrence with commercial insurers. Claims administration and adjusting services are provided by contract with a third party administrator specializing in public entity liability. Representation in matters of litigation is performed through the retaining of outside law firms and is supervised by the city attorney. This self-insurance program is accounted for in the Risk Management internal service fund.

The City estimates a liability for claims outstanding, including claims incurred but not reported, on June 30, 2014, in the amount of $5,076,000 which has been included as liabilities in the Risk Management internal service fund.

Employee Retirement System

This section is derived from the most recent audited financial statements of the City. See APPENDIX B.

General. The City's defined benefit pension plans (Miscellaneous Plan and Safety Plan) provide retirement and disability benefits which include annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan and the Safety Plan are part of the Public Agency portion of the California Public Employees Retirement System ("**PERS**"), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statues within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

PERS Contributions and Funding Policy. Active plan members in the Miscellaneous Plan of the City are required to contribute 8% of their annual covered salary for a 2.5% at 55 retirement plan. Active plan members in the Safety Plan of the City are required to contribute 9% of their annual covered salary for a 3% at 50 retirement plan. To be eligible for CalPERS retirement, employees must be at least age 55 for the Miscellaneous Plan and age 50 for Safety Plan and have five years of service credit. Upon retirement, retirement benefits are calculated using a formula that includes using years of service credit at retirement age and final compensation. Final compensation is calculated from the highest average full-time monthly pay rate for a 1- year period. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members based on the Entry Age Normal Actuarial Cost Method. The actuarial methods and assumptions used are those adopted by the PERS Board of Administrations. The required employer contribution rate for fiscal year ended June 30, 2014 was 20.15% for miscellaneous employees and 35.80% for public safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. See "Pension Reform Act of 2013 (Assembly Bill 340)" below. Active plan members in the Miscellaneous Plan are required to contribute 6.75% of reportable for a 2.0% at 62 retirement plan under PEPRA. Active plan members in the Safety Plan are required to contribute 12.25% of reportable for a 2.7% at 57 retirement plan under PEPRA. The member rates will be reviewed once a year when the actuarial valuation of the plans are performed.

The required employer contribution rates for fiscal year ended June 30, 2014 under PEPRA are the same as the employer contribution rates for existing miscellaneous employees and public safety employees.

The funded status of the plans based on the actuarial valuations is as follows:

Valuation Date 6/30	Actuarial Accrued Liability ("AAL")	Actuarial Valuation of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Unfunded AAL as Percentage of Payroll
			Miscellaneous Plan			
2013	$241,817,365	$171,340,680	$70,476,685	70.9%	$26,272,389	268.3%
			(i) Safety Plan			
2013	403,774,300	275,610,840	128,163,460	68.3%	$25,817,694	496.4%

Annual Pension Cost. For the fiscal year ended June 30, 2014, the City's annual pension cost of $14,454,106 for PERS was equal to the City's required and actual contributions.

The required contribution for fiscal year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members and from 3.30% to 14.20% for safety members; and (c) 3.00% cost of living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial assumptions used for the funded status are the same as those used to determine the annual required contribution. The following table shows annual pension costs for fiscal year 2011-12 through 2013-14.

Fiscal Year	Annual Pension Cost		% of Annual Pension Cost Contribution	Net Pension Obligation
	Miscellaneous	Safety		
2011-12	$4,773,578	$8,869,317	100%	$0
2012-13	4,485,458	8,803,724	100	0
2013-14	5,159,458	9,294,648	100	0

Recent Actions by PERS. On March 14, 2012, the PERS Board of Administration voted to reduce its discount rate, which is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of PERS member state and schools employer contributions will increase by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning fiscal year 2012-13 and (ii) the amounts of PERS member public agency contributions will increase by 1 to 2% for Miscellaneous plans and 2 to 3% for Safety plans beginning fiscal year 2013-14. More information about the PERS discount rate adjustment can be accessed through PERS's web site at www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2012/mar/discount-rate.xml. *The reference to this internet website is shown for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference*

The PERS Board adjustment has been undertaken in order to address underfunding of the PERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery. The City is unable to predict what the amount of PERS liabilities will be in the future, or the amount of the PERS contributions which the City may be required to make.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy were used for the first time in the June 30, 2013 actuarial valuations. These valuations were performed in the fall of 2014 and set employer contribution rates for the fiscal year 2015-16.

According to PERS, the current amortization and smoothing policy was designed to reduce volatility in employer contribution rates, and, although the policy accomplished this goal fairly well since its adoption, a number of concerns have developed:

- The use of an actuarial value of assets corridor can lead to significant single year increases to rates in years when there are large investment losses.
- The use of long asset smoothing periods and long rolling amortization periods result in slow progress toward full funding.
- The use of an actuarial value of assets requires the disclosure of two different funded statuses and unfunded liability numbers in actuarial valuation reports. This adds confusion and inhibits transparency.
- The use of rolling amortization and long asset smoothing periods makes it difficult for employers to predict when contribution rates will peak and how high that peak will be.
- The use of rolling amortization and asset smoothing periods may result in additional calculations for the new accounting standards. These calculations would be avoided with a quicker funded status recovery.

According to PERS, the adoption of the new smoothing and amortization policies will change future employer contribution rates, as follows:

- Funding levels will improve, which will reduce the funding level risk.
- Local agencies' plans will experience more rate volatility in normal years, but a much reduced chance of very large rate increases in years when there are large investment losses.
- Contribution rates in the near term will increase.
- Long-term contribution rates will be lower.
- There will be greater transparency about the timing and impact of future employer contribution rate changes.
- The new policy eliminates the need for an actuarial value of assets. As a result, there will be only one funded status and unfunded liability in actuarial reports.
- There will be less confusion when the new accounting standards are implemented since there will be no need for extra liability calculations.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and that also amended various sections of the State Education and Government Codes. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payouts, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA applies to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the City, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8% of pay for civil workers and 11% or 12% for public safety workers.

PERS has predicted that the impact of AB 340 on employers, including the City and other employers in the PERS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS has noted that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST. *This internet address is provided for reference and convenience only; the information contained within this website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

The City is unable to predict the amount of PERS liabilities in the future or the amount of the PERS contributions which the District may be required to make, all as a result of the implementation of AB 340, and as a result of negotiations with its employee associations.

Other Post Employment Benefits

This section is derived from the most recent audited financial statements of the City. See APPENDIX B.

Plan Description. In addition to pension benefits, the City provides retiree medical benefits under the PERS health plan, an agent multiple-employer public employee defined postemployment benefit plan, which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, CA 95814.

Eligibility. Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 627 eligible active employees and 244 enrolled eligible retirees at June 30, 2014. These amounts do not reflect current retirees not enrolled in the PERS health plan who are eligible to enroll in the plan at a later date.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements effective January 1, 2007. The City's contribution rate was $119.00 per month for each retiree. For the year ended June 30, 2014, the City contributed $345,817 to the plan. Plan members receiving benefits contributed $00 (approximately 85% of total premiums) through their required contribution.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation

Components of OPEB Cost
Fiscal Year 2013-14

Annual required contribution (ARC)	$925,657
Interest on OPEB obligation	166,543
Adjustment to annual required contribution	(111,028)
Annual OPEB cost	981,172
Contributions made	(345,817)
Increase in net OPEB asset	635,355
Net OPEB obligation- beginning of year	3,330,851
Net OPEB obligation- end of year	$3,966,206

The City annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the last three fiscal years are as follows:

Net OPEB Obligation
Fiscal Years 2011-12 through 2013-14

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	$883,991	34.9%	$2,717,204
6/30/2013	941,164	34.8	3,330,851
6/30/2014	981,172	35.2	3,966,206

OPEB Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status could result in actual costs being less or greater than estimated. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits:

Schedule of OPEB Funding Progress

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	Unfunded Liability as a % of Covered Payroll
			Miscellaneous Plan			
2011	$220,262,133	$179,342,749	$40,919,384	81.4%	$25,999,452	157.4%
2012	231,098,351	186,575,813	44,522,538	80.7	26,848,493	165.8
2013	241,817,365	171,340,680	70,476,685	70.9	26,272,389	268.3

			Safety Plan			
2011	372,523,372	290,213,239	82,310,133	77.9	25,796,337	319.1
2012	387,791,595	301,757,326	86,034,269	77.8	25,780,951	333.7
2013	403,744,300	275,610,840	128,163,460	68.3	25,817,694	496.4

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIIIA of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the State Constitution. Article XIIIA, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the State Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

Articles XIIIC and XIIID of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to

Article XIIIC define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

Taxes. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City ("general taxes") require a majority vote; taxes for specific purposes ("special taxes"), even if deposited in the City's General Fund, require a two-thirds vote.

Property-Related Fees and Charges. Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIIIC provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIIID provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIIID.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIIIC and XIIID will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Impact on City's General Fund. The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 22. Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Possible Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future.

No Pledge of Taxes

General. The obligation of the City to pay the Base Rental Payments and Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental Payments and Additional Rental Payments does not constitute a debt or indebtedness of the City, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIIIC and Article XIIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIIIC and Article XIIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIIC and Article XIIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIIC and Article XIIID of the State Constitution would adversely affect its ability to pay Base Rental Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIIC and Article XIIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

The City has no existing obligations payable from its General Fund. See "CITY FINANCIAL INFORMATION – No Outstanding General Fund Debt." However, the City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Base Rental Payments may be decreased.

The Base Rental Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Property, taxes and other governmental charges levied against the Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Base Rental Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

No Reserve Fund

No reserve fund will be established and maintained with respect to the Bonds. As a result, in the event on non-appropriation or non-payment of the Base Rental Payments in full when due, no other source of funds will be available to make payments of debt service Bonds while remedial actions are taken with respect to such non-appropriation or non-payment.

Default

Whenever any event of default referred to in the Lease happens and continues, the City is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

If a default occurs, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Lease. The Trustee is not empowered to sell the Property and use the proceeds of such sale to prepay the Bonds or pay debt service on the Bonds.

The City will be liable only for Base Rental Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

Natural Disasters

From time to time, the City is subject to natural calamities that may adversely affect economic activity in the City, which therefore may have a negative impact on City finances. The occurrence of any natural calamity, including but not limited to an earthquake, uncontrolled fire or a major flood, may also result in the substantial interference with the use and occupancy of the Leased Property, which could result in Lease Payments being subject to abatement. Under such circumstances, no assurance can be given that the City would have insurance or other resources available to make repairs to the Leased Property or to make Lease Payments under the Lease Agreement.

Seismic Risks. The City, like most communities in the State, is located in an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. Although the City is not within an Alquist-Priolo Special Study Zone and no active faults are known to occur directly under the City, there are known fault splays beneath the City, and the City could be at risk from strong ground motion from a number of nearby seismically active faults. The City is not obligated under the Lease and it does not intend to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property. In the event that any portion of the Property is destroyed by an earthquake, an abatement could occur and result in the Trustee having inadequate funds to pay the principal and interest with respect to the Bonds as and when due.

Flood Risk. Most of the City is subject to very minimal flood risk, and is located in a low risk flood zone. In Garden Grove, the flood zone areas are designated by Federal Emergency Management Agency ("FEMA") as Flood Zone A or Flood Zone X. Flood Zone A is designated as the high risk, Special Flood Hazard Area (SFHA), inundated by a 100-year floodplain. Flood Zone X designates areas of a 500-year flood; areas of 100-year flood with average depths of less than 1-foot or with drainage less than 1-square mile; and areas protected by levees from a 100-year flood.

Severe Drought. On January 17, 2014, Governor Jerry Brown proclaimed a state of emergency due to the severe drought conditions faced by the State. On April 25, 2014, Governor Brown issued an executive order to strengthen the State's ability to manage water and habitat effectively in drought conditions and called on all Californians to redouble their efforts to conserve water.

In an April 1, 2015, Executive Order, Governor Brown mandated a 25% water use reduction for cities and towns across California. In May 2015, the State Water Board adopted an emergency regulation requiring an immediate 25% reduction in overall potable urban water use. The regulation uses a sliding scale for setting conservation standards, so that communities that have already reduced their residential gallons per capita per day through past conservation will have lower mandates than those that have not made such gains since the last major drought.

The City provides water service to approximately 34,000 customers, including residential, commercial, industrial, and institutional accounts. The City derives its water from two sources: import water from the Metropolitan Water District of Southern California and groundwater pumped from the Orange County Water District. To date the City has not implemented rate increases in the City in response to the ongoing drought conditions, but such rate increases may occur in the future should the drought persist.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Property, the City's obligation to make Base Rental Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the Bonds as and when due. See "SECURITY FOR THE BONDS – Abatement" and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Although the City is required under the Lease to maintain property and liability insurance with respect to the Property, the required insurance coverage is subject to certain conditions and restrictions. See "SECURITY FOR THE BONDS – Property Insurance."

In addition, the City is required to use the proceeds of rental interruption insurance maintained under the Lease to make debt service payments on the Bonds during any period of abatement. See "SECURITY FOR THE BONDS – Property Insurance." However, there is no assurance that the City will receive proceeds of rental interruption insurance in time to make debt service payments on the Bonds when due.

Property Taxes

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Base Rental Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay principal of and interest on the Bonds when due.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

> *Proposition 8 Appeals*. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.
>
> Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.
>
> Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original

values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City's property tax revenues.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bond owner remedies contained in the Lease and the Indenture, the rights and obligations under the Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Bond Counsel, concurrently with the issuance of the Bonds, will include a qualification that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture, the Lease and the Ground Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases. See "APPENDIX E — FORM OF OPINION OF BOND COUNSEL."

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Lease and the Indenture. Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

THE AUTHORITY

The Garden Grove Public Financing Authority was established under a Joint Exercise of Powers Agreement dated as of June 22, 1993, between the City of Garden Grove and the Garden Grove Agency for Community Development. By an amendment to the Joint Exercise of Powers Agreement dated as of March 28, 2006, the Garden Grove Sanitary District has also become a member of the Authority. The City Council of the City is appointed as the Governing Board of the Authority. Under the Joint Exercise of Powers Agreement, the Authority is authorized to assist in the financing of public capital improvements. The Authority has acted as a conduit issuer for the City for a variety of financings.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the Owner of the Bond before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Owner of a Bond will increase the Owner's basis in the Bond. In the opinion of Bond Counsel, original issue discount that accrues to the Owner of a Bond is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"); such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Authority, the City and others and is subject to the condition that the Authority and the City comply with all requirements of the Tax Code that must be satisfied subsequent to issuance of the Bonds to assure that the interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Tax Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the City have covenanted to comply with all such requirements applicable to each, respectively.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Tax Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE Bonds, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel's engagement with respect to the Bonds terminates upon their issuance and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) due with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that the interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the City continue to comply with certain requirements of the Tax Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the Bonds.

Legislation

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax exempt status or market price of the Bonds.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which is set forth in "APPENDIX E — FORM OF OPINION OF BOND COUNSEL." Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. The Underwriter is being represented by its counsel, Norton Rose Fulbright US LLP, Los Angeles, California.

LITIGATION

To the best knowledge of the Authority and the City, 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 and received by the Authority or the City or, to the knowledge of the Authority and the City, threatened against or affecting the Authority or the City or the assets, properties or operations of the Authority or the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease, the Ground Lease or the Indenture, or upon the financial condition, assets, properties or operations of the Authority or the City, and the Authority and the City are 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 adversely affect the consummation of the transactions contemplated by the Lease, the Ground Lease or the Indenture, or the financial conditions, assets, properties or operations of the Authority or the City, including but not limited to the payment and performance of the City's obligations under the Lease.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**") has assigned its municipal bond rating of "___" to the Bonds.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

[update required for City's five-year compliance history.]

The City has taken steps intended to ensure compliance with its continuing disclosure undertakings going forward.

MUNICIPAL ADVISOR

The City and the Authority have retained Urban Futures Incorporated of Orange, California, as municipal advisor (the "**Municipal Advisor**") in connection with the offering of the Bonds and the preparation of this Official Statement. The Municipal Advisor assisted in the preparation and review of this Official Statement. All financial and other information presented in this Official Statement has been provided by the City and the Authority from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City, Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the Bonds.

UNDERWRITING

Samuel A. Ramirez & Co., Inc. and Mesirow Financial, Inc. (together, the "Underwriter"), has entered into a Bond Purchase Agreement with the Authority under which it will purchase the Bonds at a purchase price of $____________ (which is equal to the par amount of the Bonds, less an Underwriter's discount of $___________, and plus (less) a net original issue premium (discount) of $__________).

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

PROFESSIONAL SERVICES

In connection with the issuance of the Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the Bonds: Stradling Yocca Carlson & Rauth, A Professional Corporation, as Bond Counsel; Jones Hall, A Professional Law Corporation, as Disclosure Counsel; Urban Futures Incorporated, Orange, California, as municipal advisor to the Authority and the City; and U.S. Bank National Association, as Trustee.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

GARDEN GROVE PUBLIC FINANCING AUTHORITY

By:______________________________
Chair

CITY OF GARDEN GROVE

By:______________________________
City Manager

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Ground Lease, the Lease and the Indenture relating to the Bonds. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING JUNE 30, 2014

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$__________
GARDEN GROVE PUBLIC FINANCING AUTHORITY
Lease Revenue Bonds, Series 2015A

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Garden Grove (the "City"), on behalf of the Garden Grove Public Financing Authority (the "Authority") and itself, in connection with the issuance by the Authority of the bonds captioned above (the "Bonds"). The Bonds are being issued under an Indenture dated as of November 1, 2015 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means March 31 of each year.

"*Dissemination Agent*" means _____________, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

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

"*Official Statement*" means the final official statement dated __________, 2015, executed by the City and the Authority in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Ramirez & Co., Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 1, 2016, with the report for the 2014-15 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written general fund with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited Financial Statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed under Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing:

(i) the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year;

(ii) information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;

(iii) information concerning the assessed valuation of properties within the City for the most recent completed Fiscal Year;

(iv) information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year; and

(v) with respect to the top 10 property taxpayers in the City, information showing the identity of each such taxpayer, and the total assessed valuation of properties owned by each such taxpayer.

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

In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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

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

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be ___________. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section shall be filed in the same manner as for a Listed Event under Section 5(c).

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

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City: Garden Grove Public Financing Authority
c/o City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840

To the Dissemination Agent:

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: ________________, 2015

CITY OF GARDEN GROVE

By: ________________________________
City Manager

AGREED AND ACCEPTED:
____________________, as Dissemination Agent

By: ________________________________
Title:

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Garden Grove Public Financing Authority

Name of Bond Issue: Garden Grove Public Financing Authority
Lease Revenue Bonds, Series 2015A

Date of Issuance: ________________, 2015

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated as of ________________, 2015, executed by the City. The City anticipates that the Annual Report will be filed by _____________.

Dated:__________________

CITY OF GARDEN GROVE:

By: ______________________________
Its: ______________________________

cc: Dissemination Agent

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF GARDEN GROVE AND ORANGE COUNTY

*The following information concerning the City of Garden Grove (the **"City"**) and Orange County (the **"County"**) is included only for the purpose of supplying general information regarding the area in and around the City. The Bonds are not a debt of the City, the County, the State of California (the "**State**") or any of its political subdivisions (other than the Authority), and none of the City, the County, the State or any of its political subdivisions (other than the Authority) is liable therefor.*

General Description and Background

The County of Orange, California (the "**County**") encompasses 798 square miles in Southern California, bordered on the north by Los Angeles and San Bernardino counties, on the east by Riverside County, on the southeast by San Diego County and on the west and southwest by the Pacific Ocean. There are 34 cities located within the County. The County is the third largest county in the State and the sixth largest county in the nation.

Approximately 42 miles of ocean shoreline provide many beaches, marinas and other recreational areas for use by residents and visitors. The climate in the County is mild, with an average annual rainfall of 13 inches.

The County is governed by a five-member Board of Supervisors (the "**Board**") elected by districts to four-year terms by the citizens of the County. At the beginning of each year, the Board selects a Chairman and a Vice Chairman.

Population

The following sets forth population estimates for Garden Grove, the County and the State as of January 1 for the years 2006 through 2015:

CITY OF GARDEN GROVE, ORANGE COUNTY AND STATE OF CALIFORNIA
Estimated Population

Year (January 1)	City of Garden Grove	Orange County	State of California
2006	167,591	2,956,334	36,116,202
2007	167,498	2,960,659	36,399,676
2008	167,980	2,974,321	36,704,375
2009	169,910	2,990,805	36,966,713
2010	170,672	3,008,855	37,223,900
2011	171,307	3,028,846	37,427,946
2012	172,763	3,057,879	37,668,804
2013	173,182	3,085,269	37,984,138
2014	173,935	3,114,209	38,357,121
2015	174,774	3,147,655	38,714,725

Source: State of California Department of Finance, Demographic Research Unit.

Commerce

Total taxable sales reported during the first quarter of calendar year 2014 in the City were reported to be $422.69 million, a 1.6% decrease over the total taxable sales of $429.62 million reported during the first quarter of calendar year 2013. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Garden Grove is presented in the following table.

CITY OF GARDEN GROVE
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	2,141	$1,155,616	3,524	$1,361,395
2010	2,277	1,256,993	3,653	1,459,914
2011	2,417	1,396,341	3,792	1,623,150
2012	2,441	1,499,207	3,771	1,771,891
2013	2,517	1,498,319	3,827	1,782,344

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

Total taxable sales during the first quarter of calendar year 2014 in the County were reported to be $13.99 billion, a 5.2% increase over the total taxable sales of $13.28 billion reported in the County during the first quarter of calendar year 2013. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table. Annual figures for 2014 are not yet available.

COUNTY OF ORANGE
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	56,259	$31,162,619	90,231	$45,712,784
2010	58,076	32,552,107	92,047	47,667,179
2011	58,795	35,587,795	92,207	51,731,139
2012	60,273	38,372,456	93,183	55,230,612
2013	62,208	40,025,929	94,862	57,591,217

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

Employment and Industry

Garden Grove is included in the Santa Ana-Anaheim-Irvine Metropolitan Division (which consists of Orange County). The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2010 through 2014.

The unemployment rate in the County was 4.3% in June 2015, up from a revised 4.2% in May 2015, and below the year-ago estimate of 5.5%. This compares with an unadjusted unemployment rate of 6.2% for California and 5.5% for the nation during the same period.

SANTA ANA–ANAHEIM–IRVINE METROPOLITAN DIVISION
ORANGE COUNTY
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2010	2011	2012	2013	2014
Civilian Labor Force [1]	1,538,600	1,548,100	1,566,100	1,566,800	1,575,600
Employment	1,388,900	1,408,300	1,443,400	1,464,900	1,489,200
Unemployment	149,700	139,800	122,700	101,900	86,400
Unemployment Rate	9.7%	9.0%	7.8%	6.5%	5.5%
Wage and Salary Employment: [2]					
Agriculture	3,700	3,200	2,800	2,900	2,800
Mining and Logging	600	600	600	600	700
Construction	68,000	69,200	71,300	76,800	82,000
Manufacturing	150,500	154,300	158,300	158,000	158,800
Wholesale Trade	77,800	77,300	77,200	79,400	81,700
Retail Trade	141,300	142,600	144,000	145,500	148,700
Transportation, Warehousing, Utilities	26,700	27,500	28,000	27,500	26,600
Information	69,400	71,200	73,800	77,000	76,200
Finance and Insurance	34,100	33,600	34,500	36,100	37,900
Real Estate and Rental and Leasing	244,900	247,700	260,600	267,300	275,800
Professional and Business Services	165,500	168,000	173,800	184,200	190,300
Educational and Health Services	168,600	174,000	180,600	187,800	193,500
Leisure and Hospitality	42,200	43,200	44,600	45,600	47,700
Other Services	12,400	11,600	11,100	11,000	10,900
Federal Government	27,300	28,000	28,700	29,100	29,900
State Government	112,600	109,700	108,100	108,600	111,100
Local Government	3,700	3,200	2,800	2,900	2,800
Total, All Industries [3]	1,370,400	1,385,600	1,422,400	1,462,400	1,498,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: California Employment Development Department.

Major Employers

The following table lists the top employers in the County, listed alphabetically.

ORANGE COUNTY
Major Employers - As of July 2015

Employer Name	Location	Industry
Anaheim City Hall	Anaheim	City Government-Executive Offices
Blogtagon Social Media	Fountain Valley	Internet Service
Boeing Co	Seal Beach	Aerospace Industries (Mfrs)
Boeing Co	Huntington Beach	Aircraft-Manufacturers
Broadcom Corp	Irvine	Semiconductors & Related Devices (Mfrs)
California State-Fullerton	Fullerton	Schools-Universities & Colleges Academic
Disneyland	Anaheim	Amusement & Theme Parks
Emplicity	Irvine	Employment Contractors-Temporary Help
First American Title Ins Co	Santa Ana	Title Companies
Hoag Hospital Newport Beach	Newport Beach	Hospitals
James R Glidewell Dental Ceramics	Irvine	Laboratories-Dental
Jones Lang La Salle	Brea	Real Estate Management
Laguna Woods Village Cmnty Center	Laguna Woods	Senior Citizens Service
Puro Clean	Anaheim	Fire Damage Restoration
Quiksilver Eyeware USA	Huntington Beach	Optical Goods-Retail
Raytheon Company	Fullerton	Search Detection/Nav Systs/Instr (Mfrs)
St Jude Medical Center	Brea	Hospitals
St Jude Medical Center	Fullerton	Hospitals
Tenet Healthcare	Fountain Valley	Hospitals
UC Irvine Healthcare	Orange	Hospitals
United Healthcare	Cypress	Health Plans
University of CA-Irvine	Irvine	Schools-Universities & Colleges Academic
University-CA Irvine Med Center	Orange	Medical Centers
US Health Care Svc	Seal Beach	Health & Allied Services
Walt Disney Parks & Resorts	Anaheim	Amusement & Theme Parks

Source: State of California Employment Development Department, compiled from America's Labor Market Information System (ALMIS) Employer Database, 2015 2nd Edition.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in Garden Grove and the County.

CITY OF GARDEN GROVE
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2010	2011	2012	2013	2014
Permit Valuation					
New Single-family	$11,264.5	$5,180.8	$20,946.1	$3,689.3	$6,153.8
New Multi-family	5,512.0	6,345.6	5,289.6	5,135.7	0.0
Res. Alterations/Additions	8,122.1	8,104.6	5,055.7	9,354.9	9,014.4
Total Residential	24,898.6	19,631.0	31,291.4	18,180.0	15,168.2
New Commercial	0.0	0.0	1,918.0	2,843.3	29,395.4
New Industrial	0.0	0.0	0.0	154.8	0.0
New Other	1,191.1	0.0	0.0	1,099.1	38,675.3
Com. Alterations/Additions	8,634.7	10,198.5	5,218.6	17,775.4	20,637.5
Total Nonresidential	$9,815.9	$10,198.5	$7,136.6	21,872.7	88,708.2
New Dwelling Units					
Single Family	62	31	61	21	30
Multiple Family	32	39	28	59	0
TOTAL	94	70	89	80	30

ORANGE COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2010	2011	2012	2013	2014
Permit Valuation					
New Single-family	$492,529.5	$518,681.8	$752,931.2	$1,237,994.2	$1,234,498.7
New Multi-family	208,046.8	378,599.9	438,118.2	994,873.8	985,454.1
Res. Alterations/Additions	328,830.0	450,105.3	363,854.8	363,674.9	413,518.5
Total Residential	1,029,406.2	1,347,387.0	1,554,904.2	2,596,542.8	2,633,471.3
New Commercial	264,898.3	255,841.4	513,584.4	631,018.8	712,706.6
New Industrial	23,000.0	10,300.0	102,586.7	47,369.9	154,840.6
New Other	116,813.1	25,511.4	28,591.8	110,663.6	183,627.9
Com. Alterations/Additions	747,216.7	896,906.9	697,630.6	928,629.2	948,992.6
Total Nonresidential	1,151,928.1	1,188,559.7	1,342,393.5	1,717,681.6	2,000,167.7
New Dwelling Units					
Single Family	1,553	1,908	2,438	3,889	3,646
Multiple Family	1,538	2,897	3,725	6,564	6,990
TOTAL	3,091	4,805	6,163	10,453	10,636

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2010 through 2014.

COUNTY OF ORANGE
Effective Buying Income
2010 through 2014

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	City of Garden Grove	$2,510,085	$46,265
	Orange County	75,063,558	57,849
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Garden Grove	$2,558,765	$46,106
	Orange County	76,315,505	57,607
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Garden Grove	$2,668,395	$46,596
	Orange County	81,079,398	57,181
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Garden Grove	$2,739,055	$47,446
	Orange County	81,151,078	59,589
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Garden Grove	2,821,175	48,545
	Orange County	83,607,615	60,931
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: The Nielsen Company (US), Inc.

County Transportation Systems

The County is situated in the most heavily populated area in California and has access to excellent roads, rail, air and sea transportation. The Santa Ana Freeway (Interstate 5) provides direct access to downtown Los Angeles and connects with the San Diego Freeway (Interstate 405) southeast of the City of Santa Ana providing a direct link with San Diego. The Garden Grove Freeway (State 22) and the Riverside Freeway (State 91) provide east-west transportation, linking the San Diego Freeway, Santa Ana Freeway and the Newport Freeway (State 55). The Newport Freeway provides access to certain beach communities.

Drivers in the County have access to two toll road systems administered by the Transportation Corridor Agencies. The San Joaquin Toll Road (73) runs from Costa Mesa to Mission Viejo and connects to the 405 and 5 Freeways. The Eastern and Foothill Toll Roads (241, 261 and 133) connect the County to the 91 Freeway to the north and the 5 Freeway, City of Irvine and other South County cities, as well as Laguna Canyon Road. The Transportation Corridor Agencies are planning to extend the 241 Toll Road to connect to the 5 Freeway near San Clemente.

Rail freight service is provided by the Burlington Northern Santa Fe Railway and the Union Pacific Railroad Company. Amtrak provides passenger service to San Diego to the south, Riverside and San Bernardino Counties to the east, and Los Angeles and Santa Barbara to the north. Metro Link provides passenger service to San Bernardino and Riverside counties to the east, Oceanside to the south and Los Angeles County to the north. Bus service is provided by Greyhound Bus Lines. The Orange County Transportation Authority provides bus service between most cities in the County. Most interstate common carrier truck lines operating in California serve the County.

The John Wayne Airport is located in the County's unincorporated area adjacent to Santa Ana, Costa Mesa, Irvine and Newport Beach. Major airlines, including American, Alaska, Delta, America West, Continental, Northwest, U.S. Airways, Southwest, United, Aloha and TWA, fly from the airport to major cities throughout the country.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

APPENDIX G

INVESTMENT POLICY

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$____________
GARDEN GROVE PUBLIC FINANCING AUTHORITY
Lease Revenue Bonds, Series 2015A

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Garden Grove (the "City"), on behalf of the Garden Grove Public Financing Authority (the "Authority") and itself, in connection with the issuance by the Authority of the bonds captioned above (the "Bonds"). The Bonds are being issued under an Indenture dated as of November 1, 2015 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means March 31 of each year.

"*Dissemination Agent*" means ____________, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

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

"*Official Statement*" means the final official statement dated __________, 2015, executed by the City and the Authority in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Ramirez & Co., Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 1, 2016, with the report for the 2014-15 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written general fund with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited Financial Statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed under Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing:

(i) the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year;

(ii) information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;

(iii) information concerning the assessed valuation of properties within the City for the most recent completed Fiscal Year;

(iv) information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year; and

(v) with respect to the top 10 property taxpayers in the City, information showing the identity of each such taxpayer, and the total assessed valuation of properties owned by each such taxpayer.

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

In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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

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

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be ___________. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section shall be filed in the same manner as for a Listed Event under Section 5(c).

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

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City: Garden Grove Public Financing Authority
c/o City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840

To the Dissemination Agent:

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: ________________, 2015

CITY OF GARDEN GROVE

By: ______________________________
City Manager

AGREED AND ACCEPTED:
____________________, as Dissemination Agent

By: ______________________________
Title:

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Garden Grove Public Financing Authority

Name of Bond Issue: Garden Grove Public Financing Authority Lease Revenue Bonds, Series 2015A

Date of Issuance: _________________, 2015

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated as of ________________, 2015, executed by the City. The City anticipates that the Annual Report will be filed by _____________.

Dated:___________________

CITY OF GARDEN GROVE:

By: ________________________________

Its: ________________________________

cc: Dissemination Agent