

INDENTURE

By and Between

CITY OF MANHATTAN BEACH

and

**U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent**

Relating to

**\$ _____
CITY OF MANHATTAN BEACH
REASSESSMENT DISTRICT NO. 2018
LIMITED OBLIGATION REFUNDING BONDS, SERIES 2018**

Dated as of March 1, 2018

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INDENTURE

This Indenture, dated as of March 1, 2018 (this “Indenture”), is made and entered into by CITY OF MANHATTAN BEACH (the “City”), a _____, duly established and existing under the Constitution and laws of the State of California (the “State”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as fiscal agent (the “Fiscal Agent”) in connection with Reassessment District No. 2018 (the “Reassessment District”).

WITNESSETH:

WHEREAS, the City Council of the City (the “City Council”) has taken proceedings under the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 of the California Streets and Highways Code (the “1984 Act”), for the reassessment of parcels with unpaid assessments within Reassessment District No. 2018 and has confirmed a reassessment, which reassessment and a related diagram were recorded with the Superintendent of Streets of the City, and a notice of reassessment, as prescribed in Section 3114 of the California Streets and Highways Code, has been recorded with the County Recorder of the County of Los Angeles, whereupon the assessment attached as a lien upon the property reassessed within the Reassessment as provided in Section 3115 of the Code; and

WHEREAS, it is necessary and desirable that the City sell refunding bonds (the “Bonds”) pursuant to the 1984 Act to Limited Obligation Improvement Bonds issued by the City for Assessment District Nos. 04-1, 04-3, 04-5, 05-2 and 05-6, to be issued to represent the unpaid reassessments;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 101. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings:

“Act” means, collectively, the 1915 Act and the 1984 Act.

“Administrative Expense Fund” means City of Manhattan Beach Reassessment District No. 2018 Administrative Expense Fund established and held by the Fiscal Agent pursuant to Section 401 hereof.

“Administrative Expense Requirement” means an amount, not in excess of the aggregate maximum annual assessment for Administrative Expenses permitted to be levied within the Reassessment as set forth in the Engineer’s Report, to be specified each year by an Authorized Representative of the City to be used for Administrative Expenses.

“Administrative Expenses” means the ordinary and necessary fees and expenses for determination of the Reassessment and administering the levy and collection of the Reassessment and servicing, calling and redeeming the Bonds, including any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying

out its duties hereunder (including, but not limited to, annual audits and costs incurred in the levying and collection of the Reassessment) including the fees and expenses of its counsel and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder and, in the case of the City, in any way related to the administration of the Reassessment.

“Assessment District” means City of Manhattan Beach Reassessment No. 2018.

“Authorized Representative of the City” means the Mayor, the City Manager, Finance Director, Deputy Finance Director or any other person or persons designated by the City Council of the City and authorized to act on behalf of the City by a written certificate signed on behalf of the City by the Mayor of the City and containing the specimen signature of each such person.

“Beneficial Owner” means, with respect to a Bond, the person whose name is recorded as the beneficial owner thereof or a portion thereof by a Participant on the records of such Participant, or such person's subrogee.

“City Council” means the City Council of the City of Manhattan Beach.

“Bond Counsel” means an attorney or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax treatment of interest on bonds issued by states and their political subdivisions.

“Bond Register” means the books which the Fiscal Agent shall keep or cause to be kept pursuant to Section 212, on which the registration and transfer of the Bonds shall be recorded.

“Bond Year” means the one year period or shorter period ending each year on September 2, or such other date as may be specified by the City in the Tax Certificate.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond is registered as shown on the Bond Register.

“Bonds” means City of Manhattan Beach Reassessment District No. 2018 Limited Obligation Refunding Bonds, Series 2018 issued pursuant to the Resolution of Issuance and this Indenture.

“Business Day” means any day other than (a) a Saturday, Sunday, (b) a day on which banking institutions in the State of California or in any state in which the Office of the Fiscal Agent is located are authorized or required by law (including Executive Order) to close, or (c) a day on which the New York Stock Exchange is closed.

“City Clerk” means the City Clerk of the City, or his or her designee.

“Closing Date” means the date of delivery of the Bonds by the City and payment therefor by the original purchaser(s) thereof.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of March 1, 2018, executed and delivered by the City, together with any amendments thereto.

“Costs of Issuance” means the costs and expenses incurred by or on behalf of the City (including reasonable charges for the work performed by the officers and employees of the City) in connection with the preparation and approval of the Engineer’s Report, the confirmation of the reassessments and activities relating thereto, the issuance and sale of the Bonds, including the acceptance and initial annual fees and expenses of the Fiscal Agent, legal fees and expenses, costs of printing the Bonds and the preliminary and final official statements for the Bonds, fees of financial consultants and all other related fees and expenses, as set forth in a Written Certificate of the City.

“Costs of Issuance Fund” means City of Manhattan Beach Reassessment District No. 2018 Costs of Issuance Fund established and held by the Fiscal Agent pursuant to Section 401 hereof.

“County” means the County of Los Angeles.

“Depository” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds, including any such successor appointed pursuant to Section 210 hereof.

“City” means City of Manhattan Beach and any successor thereto.

“Engineer’s Report” means the report concerning the Reassessment prepared by Harris & Associates, as approved by the City Council on January 16, 2018 and on file with the City Clerk.

“Federal Securities” means: direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the Fiscal Agent; obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and prerefunded municipal obligations rated, at the time of purchase, by Moody’s and S&P in their highest Rating Category; provided that “structured securities” (including flip notes, range notes, inverse floaters and step-ups) will not be considered Federal Securities; provided further that floaters (based on single, interest rate based indices) and callable securities of the above-enumerated agencies may be treated as Federal Securities.

“Fiscal Agent” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 702 and 703 and any successor thereto.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

“Indenture” means this Indenture, as amended or supplemented pursuant to the terms hereof.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the City and who, or each of whom:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have any substantial interest, direct or indirect, with the City or with any owner of real property within the Reassessment; and
- (3) is not connected with the City as a member, officer or employee of the City, but who may be regularly retained to make annual or other reports to the City.

“Interest Payment Date” means each March 2 and September 2, commencing September 2, 2018.

“Moody's” means Moody’s Investors Service, New York, New York, or its successors, and if such organization shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“1915 Act” means the Improvement Bond Act of 1915, being Division 10 (commencing with Section 8500) of the California Streets and Highways Code.

“1984 Act” means the Refunding Improvement Act of 1984 for 1915 Improvement Act Bonds, being Division 11.5 (commencing with Section 9500) of the California Streets and Highways Code.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 206 hereof.

“Nonpurpose Investment” means Permitted Investments described as Nonpurpose Investments in the Tax Certificate.

“Notice of Reassessment” means the Notice of Reassessment recorded in the Office of the County Recorder of the County of Los Angeles on _____, 2018, as Document No. _____.

“Office of the Fiscal Agent” means the principal corporate trust office of the Fiscal Agent in Los Angeles, California, or such other office as may be specified in writing to the City by the Fiscal Agent.

“Outstanding Bonds” or “Outstanding” means all Bonds theretofore issued by the City, except:

- (1) Bonds theretofore canceled or surrendered for cancellation;
- (2) Bonds for the payment or redemption of which moneys shall have been deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Indenture; and
- (3) Bonds defeased pursuant to Section 901.

“Participant” means a broker-dealer, bank and other financial institution for which the Depository holds Bonds or interests therein from time to time as securities depository.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means any of the following investments, if and to the extent the same are at the time legal for investment of the City’s funds (the Fiscal Agent is entitled to rely upon investment direction from the City as a certification that such investment is an Authorized Investment):

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
- Financing Corporation (FICO)
Debt obligations
- Resolution Funding Corporation (REFCORP)
Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank (including the Fiscal Agent and any affiliate) the short-term obligations of which are rated “A-1” or better by Standard & Poor’s.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks (including the Fiscal Agent and any affiliate) which have capital and surplus of at least \$5 million.

6. Commercial paper (having original maturities of not more than 270 days rated “A-1+” by Standard & Poor’s and “Prime-1” by Moody’s.

7. Money market funds rated “AAm” or “AAm-G” by Standard & Poor’s, or better (including those of the Fiscal Agent or its affiliates).

8. “State Obligations,” which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by Standard & Poor’s, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by Standard & Poor’s and “Prime-1” by Moody’s.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by Standard & Poor’s and “Aa” or better by Moody’s.

9. Pre-refunded municipal obligations rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the paying agent for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or paying agent in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the paying agent or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by Standard & Poor’s and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by Standard & Poor’s and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by Standard & Poor’s and Moody’s, provided that:

(a) The market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Fiscal Agent or the City to the provider of the repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at one current market price plus accrued interest;

(b) The Fiscal Agent or a third party acting solely as agent therefor or for the City (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or Standard & Poor’s is withdrawn or suspended or falls below “A-” by Standard & Poor’s or “A3” by Moody’s, as appropriate, the provider must, at the direction of Fiscal Agent or the City, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Fiscal Agent or the City.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by Standard & Poor’s and Moody’s, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA” by Standard & Poor’s and “Aa” by Moody’s; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent or the City at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Improvement Fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Fiscal Agent or the City hereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

(d) the Fiscal Agent or the City receives the opinion of domestic counsel (which opinion shall be addressed to Fiscal Agent or the City) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Fiscal Agent or the City;

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

(i) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (y) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the City, the Fiscal Agent or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (z) repay the principal of and accrued but unpaid interest on the investment; and

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

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

(g) the investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Fiscal Agent or the City, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Fiscal Agent or the City, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Fiscal Agent or the City.

12. The State of California Local Agency Investment Fund.

"Person" means any individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Prior Bonds" means (i) the City of Manhattan Beach Underground Utility Assessment District No. 04-01; (ii) City of Manhattan Beach Underground Utility Assessment District No. 04-03; (iii) City of Manhattan Beach Underground Utility Assessment District No. 04-05; (iv) City of Manhattan Beach Underground Utility Assessment District No. 05-02; (v) City of Manhattan Beach Underground Utility Assessment District No. 05-06.

"Prior Fiscal Agent" means U.S. Bank National Association, as Fiscal Agent for the Prior Bonds pursuant to the respective Prior Fiscal Agreements.

"Prior Fiscal Agreements" means the respective fiscal agent Agreements entered into by the City and the Prior Fiscal Agent with respect to the Prior Bonds.

"Reassessment" or "Reassessments" means the special reassessments levied in the Reassessment in accordance with the 1984 Act together with the net proceeds derived from any foreclosure proceedings and interest and penalties thereon, but exclusive of any assessments or reassessments levied to pay Administrative Expenses. "Reassessments" shall also include, pursuant to Section 9503 of the Act, any assessments with respect to the Prior Bonds collected on or after the date of issuance of the Bonds.

"Reassessment Fund" means City of Manhattan Beach Reassessment District No. 2018 Reassessment Fund established and held by the Fiscal Agent pursuant to Section 401 hereof.

"Reassessment Installment" means the annual portion of the Reassessment levied to pay the principal of and interest on the Bonds (which does not include assessments levied by the City to pay Administrative Expenses).

"Rebate Fund" means the fund by that name established and held by the Fiscal Agent pursuant to Section 401 hereof in which there are established the accounts described in Section 401 hereof.

"Rebate Regulations" means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“Rebate Requirement” shall have the meaning ascribed to it in the Tax Certificate.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means City of Manhattan Beach Reassessment District No. 2018 Redemption Fund established and held by the Fiscal Agent pursuant to Section 401 hereof.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” means the Blanket Letter of Representations from the City and the Fiscal Agent to the Depository as described in Section 207 hereof.

“Reserve Fund” means City of Manhattan Beach Reassessment District No. 2018 Reserve Fund established and held by the Fiscal Agent pursuant to Section 401 hereof.

“Reserve Requirement” means, as of the date of any calculation, the lesser of (a) 10% of the original aggregate principal amount of the Bonds; (b) maximum annual debt service on the Bonds; and (c) 125% of average annual debt service on the Bonds.

“Resolution of Issuance” means Resolution No. 2018-____, adopted by the City Council of the City on January 16, 2018, authorizing the issuance of the Bonds and approving the terms and provisions of this Indenture.

“Six-Month Period” means the period of time beginning on the Closing Date of the Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds (and any obligations that refund an issue of the Bonds).

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business or its successors and if such organization shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“Superintendent of Streets” means the Director of Public Works of the City.

“Supplemental Indenture” or “Supplement” means any supplemental agreement amending or supplementing this Indenture.

“Tax Certificate” means the Tax Certificate delivered upon the issuance of the Bonds.

“Treasurer” means the Treasurer of the City, or his or her designee.

“Written Certificate” and “Written Request” of the City mean, respectively, a written certificate or written request signed in the name of the City by an Authorized Representative of the City. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation; and the two or more so combined shall be read and construed as a single instrument.

“Yield on the Bonds” has the meaning as described in the Tax Certificate.

Section 102. Interpretation. Unless the context otherwise indicates, words expressed in the singular shall include the plural, and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate. Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

Section 103. Equality of Bonds; Pledge of Reassessments; No Obligation to Cure Deficiency. Pursuant to the Act and this Indenture, the Bonds are equally secured by a first pledge of and shall be equally payable from the Reassessments without priority for number, issue date, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof are equally secured by a first pledge of and shall be exclusively paid from the Reassessments and moneys on deposit in the Reassessment Fund, Redemption Fund and the Reserve Fund which are hereby set aside for and irrevocably pledged solely for the payment of the Bonds. The Reassessments, the amounts in the foregoing funds, and any interest earned on such funds shall constitute a trust fund held by the Fiscal Agent for the benefit of the Owners of the Bonds to be applied to the payment of the interest on, premium, if any, and principal of the Bonds and so long as any of the Bonds remain Outstanding and shall not be used for any other purpose, except as permitted by the Act, this Indenture or any Supplemental Indenture.

Nothing in this Indenture or any Supplemental Indenture shall preclude the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 201. Authorization and Designation of Bonds. The City has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines, that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Act, and that the City is now authorized, pursuant to each and every requirement of the Act and hereof, to issue the Bonds upon the security of the Reassessments in the aggregate principal amount and in the form and manner provided herein, which Bonds, upon their issuance, shall be entitled to the benefit, protection and security of the provisions hereof.

Section 202. Type and Nature of Bonds; Limited Liability. Notwithstanding anything contained herein, in the Bonds, in the Act, any other provision of law, or in any of the resolutions adopted in connection with the proceedings for the formation of the Reassessment or the proceedings for the Reassessment to the contrary, all Bonds authorized pursuant to this Indenture shall be a special obligation of the City; and the City shall not under any circumstances (including, without limitation, after any installment of principal or interest of any Reassessment levied on any lot or parcel in the Reassessment becomes delinquent or after the City acquires title to any such lot or parcel whether through foreclosure or otherwise) be obligated to pay principal, premium, if any, or interest on the Bonds from any source whatsoever other than the Redemption Fund (including any transfers thereto from the Reassessment Fund and the Reserve Fund). Neither the City, the City Council, the officers or employees of the City, any person or entity acting for or on behalf of the City in connection with

the issuance of the Bonds or in connection with the formation or operation of the Reassessment, nor any persons executing the Bonds, shall be liable personally on the Bonds or be subject to any personal liability for the Bonds or any personal liability or accountability whatsoever by reason of or in connection with the issuance of the Bonds or by reason of any act or acts or the failure or omission to take any act or acts (including, without limitation, a negligent act or omission) in connection with or related to the formation or operation of the Reassessment.

Section 203. Authorization and Purpose of Bonds. The Bonds shall be designated “City of Manhattan Beach Reassessment District No. 2018 Limited Obligation Refunding Bonds, Series 2018” and shall be issued by the City under and pursuant to Act and under and pursuant hereto in the aggregate principal amount equal to the aggregate amount of the unpaid principal portion of the Reassessments (as of the Closing Date, \$_____). The designation of each Bond shall include, in addition to their name, such further appropriate particular designation added to or incorporated in the title for the Bonds as the City may determine or as shall be required by the Act; and each Bond shall bear upon its face the designation so determined. The Bonds may contain or have endorsed thereon such other descriptive provisions, specifications and words not inconsistent with the provisions hereof as may be desirable or necessary to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the City prior to the delivery thereof.

The primary purpose for which the Bonds are to be issued is to provide funds to refinance the cost of the improvements heretofore ordered by the City Council in connection with the formation of the Reassessment through the refunding of the Prior Bonds.

Section 204. Terms of Bonds.

(a) The Bonds and the Certificate of Authentication with respect thereto shall be substantially in the form attached hereto as Exhibit A, and forms are hereby approved and adopted as the form of the Bonds and of the Certificate of Authentication. The Bonds may include such appropriate or necessary insertions, omissions and variations as are permitted or required hereby. Only such of the Bonds as shall bear thereon the Certificate of Authentication in substantially the form approved above, manually executed by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture; and such certificate of or on behalf of the Fiscal Agent shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered hereunder and is entitled to the benefits of this Indenture.

(b) The interest on and principal of and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America at the Office of the Fiscal Agent. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(c) The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be dated as of the Closing Date, show mature on September 2 of each year, and shall bear interest at the rates per annum as follows:

<i>Maturity Date (September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
2019		
2020		
2021		

2022
2023
2024
2025
2026

(d) Interest shall be payable on each Bond from the date established in accordance with paragraph (e) below on each Interest Payment Date thereafter until the principal sum of that Bond has been paid; provided, however, that if at the maturity date of any Bond (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full in accordance with the terms of this Indenture, such Bonds shall then cease to bear interest.

(e) Each Bond shall bear interest from the Interest Payment Date next preceding its date of authentication and registration, unless (i) its date of authentication is after a Record Date and on or before the immediately succeeding Interest Payment Date, in which event the Bond shall bear interest from such Interest Payment Date or (ii) its date of authentication is before the close of business on the first Record Date, in which event the Bond shall bear interest from its dated date; provided, that if at the time of authentication of any Bond interest is then in default on the Outstanding Bonds, such Bonds shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

(f) Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the Bond Register as the registered owner thereof at the close of business on the Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to such registered owner at his address as it appears on such books or at such other address as he may have filed with the Fiscal Agent for that purpose; provided, however, that, in the case of a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon written request of such registered owner to the Fiscal Agent at least 15 days prior to an Interest Payment Date, such payment may be made by wire transfer to an account within the United States designated by such owner. Payment of the principal of and redemption premiums, if any, on the Bonds shall be made by check only to the person whose name appears in the Bond Register as the registered owner thereof, such principal and redemption premiums, if any, to be paid only on the surrender of the Bonds at the corporate trust office of the Fiscal Agent at maturity or on redemption prior to maturity; provided that sinking fund payments, if any, shall be paid without presentment or surrender of the Bonds.

(g) The City and the Fiscal Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Fiscal Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a certificated Bond evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Indenture.

(h) From and after the issuance of the Bonds, the findings and determinations of the City Council shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue; and no bona fide purchaser of any of such Bonds shall be required to independently establish the existence of any fact or the performance of any condition or the taking of any proceeding required prior to such issuance or the application of the purchase price paid for such Bonds. The recital contained in the Bonds that the Bonds are issued under and pursuant to the Act and under and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance and all Bonds shall be incontestable from and after their issuance. Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the purchaser thereof and the purchase price thereof received.

Section 205. Execution and Authentication. The Bonds shall be signed on behalf of the City by the manual or facsimile signatures of the Treasurer and the City Clerk in their respective capacities as officers of the City, and the seal of the City (or a facsimile thereof) may be impressed, imprinted, engraved or otherwise reproduced thereon. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed have been authenticated and delivered by the Fiscal Agent (including new Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds shall nevertheless be valid and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office.

Section 206. Book-Entry System. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered in the registration books kept by the Fiscal Agent in the name of the Nominee as nominee of the Depository. Except as provided in Section 210 hereof, all of the Outstanding Bonds shall be registered in the Bond Register the name of the Nominee.

With respect to Bonds registered in the Bond Register in the name of the Nominee, neither the City nor the Fiscal Agent shall have any responsibility or obligation to any Participant or to any Person on behalf of whom such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Fiscal Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The City and the Fiscal Agent may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Fiscal Agent as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Fiscal Agent shall pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Fiscal Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the City's obligations with respect to payment of the principal, premium, if any, and

interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Fiscal Agent, shall receive a Bond evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by the Depository to the Fiscal Agent and the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

Section 207. Representation Letter. In order to qualify the Bonds which the City elects to register in the name of the Nominee for the Depository's book-entry system, an authorized representative of the Fiscal Agent is hereby authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 210 or in any other way impose upon the City or the Fiscal Agent any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond Register. The Fiscal Agent agrees to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation Letter, the Authorized Representatives of the City are hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

Section 208. Payments to the Nominee. Notwithstanding any other provisions of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Section 209. Initial Depository and Nominee. The initial Depository hereunder shall be The Depository Trust Company, New York, New York. The initial Nominee shall be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

Section 210. Transfers Outside of Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the City determines that the Depository shall no longer so act, then unless the City identifies another qualified securities depository to replace the Depository the City will discontinue the book-entry system. If the City fails to identify another qualified securities depository to replace the Depository then the Bonds so designated shall no longer be restricted to being registered in the Bond Register kept by the Fiscal Agent in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 210 hereof.

Section 211. Registration, Exchange or Transfer. Under the circumstances described in Section 210 but subject to the limitations set forth in the next paragraph, the registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the Office of the Fiscal Agent accompanied by delivery of a written instrument of transfer in a form acceptable to the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds may be exchanged at the Office of the Fiscal Agent for a like aggregate principal amount of Bonds. The Fiscal Agent will not charge the Owner for any new Bond issued upon any exchange or transfer, but shall require the Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. The cost of printing any Bonds and any services rendered or any expenses incurred by the Fiscal Agent in connection with any exchange or transfer shall be paid by the City as Administrative Expenses. Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond for a like aggregate principal amount; provided, that the Fiscal Agent shall not be required to register transfers or make exchanges of Bonds (a) 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, or (b) with respect to a Bond after such Bond has been selected for redemption.

Section 212. Bond Register. The Fiscal Agent will keep or cause to be kept, at its corporate trust office, sufficient books for the registration and transfer of the Bonds which shall at all times during regular business hours upon reasonable prior notice be open to inspection by the City; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds as herein provided.

The City and the Fiscal Agent may treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond Register for any and all purposes. It shall be the duty of the Bondowner to give written notice to the Fiscal Agent of any change in the Owner's address so that the Bond Register may be revised accordingly.

Section 213. Mutilated, Lost, Destroyed or Stolen Bonds. If a Bond shall become mutilated, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent; and, if such evidence is satisfactory to the Fiscal Agent and, if indemnity satisfactory to the Fiscal Agent shall be given, the City, at the expense of the Bondowner, shall execute and the Fiscal Agent shall authenticate and deliver, a new Bond dated as such Fiscal Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds issued hereunder. The Fiscal Agent shall not treat both the original Bond and any replacement Bond as being Outstanding Bonds for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond to replace a Bond which has been mutilated, lost, destroyed or stolen, and which has matured or is about to mature, the Fiscal Agent may make payment with respect to such Bond upon receipt of indemnity satisfactory to it and the City.

Section 214. Refunding of Bonds; No Other Obligations. The Bonds may be refunded by the City under Divisions 11 or 11.5 of the 1915 Act upon the conditions set forth in proceedings therefor, all as determined by the City Council. Except for bonds issued to refund the Bonds or to refund other refunding bonds, no other obligations may be issued that are secured in whole or in part

by the Reassessments or any of them.

ARTICLE III

REDEMPTION OF BONDS

Section 301. Provisions for the Redemption of Bonds.

(a) Mandatory Redemption from Reassessment Prepayments. The Bonds shall be subject to mandatory redemption, in whole or in part as selected by the Treasurer pursuant to Section 8768 of the California Streets and Highways Code, on any Interest Payment Date, from and to the extent of any prepayment of Reassessments, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
March 2, 2019 through September 2, 20__	%
March 2, 20__ and September 2, 20__	
March 2, 20__ and September 2, 20__	
March 2, 20__ and any Interest Payment Date Thereafter	

(b) No Optional Redemption of Bonds. The Bonds are not subject to optional redemption prior to maturity.

Section 302. Notice of Redemption. When Bonds are to be called for redemption under Section 301, the Fiscal Agent shall give notice, on behalf of the City, of the redemption of such Bonds. Such notice of redemption shall (a) state the date fixed for redemption and for surrender of the Bonds to be redeemed; (b) state the redemption price; (c) state the place or places where the Bonds are to be surrendered for redemption; and (d) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least thirty (30) days but no more than sixty (60) days prior to the redemption date, the Fiscal Agent shall mail a copy of such notice, by registered or certified mail, postage prepaid, to the respective Owners of Bonds selected for redemption at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption shall not be a condition precedent thereto, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Fiscal Agent that notice of such redemption has been given as herein provided shall be conclusive as against all parties.

Section 303. Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds.

Section 304. Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in Section 302, and the amount necessary for the

redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) the Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Indenture, anything in this Indenture or in the Bonds to the contrary notwithstanding;

(b) upon presentation and surrender thereof at the corporate trust office of the Fiscal Agent, the redemption price of such Bonds shall be paid to the Owner thereof;

(c) after the redemption date the Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or portions thereof shall cease to bear further interest; and

(d) after the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of this Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

ARTICLE IV

CREATION OF FUNDS AND ACCOUNTS; APPLICATION OF PROCEEDS AND ASSESSMENTS

Section 401. Funds and Accounts. There are hereby created and established the following funds and accounts, which funds and accounts the City agrees and covenants to maintain with the Fiscal Agent so long as any Bonds are Outstanding hereunder:

(a) City of Manhattan Beach Reassessment District No. 2018 Costs of Issuance Fund (the “Costs of Issuance Fund”);

(b) City of Manhattan Beach Reassessment District No. 2018 Reassessment Fund (the “Reassessment Fund”);

(c) City of Manhattan Beach Reassessment District No. 2018 Redemption Fund (the “Redemption Fund”), in which there shall be established and created a Principal Account, an Interest Account and a Prepayment Account;

(d) City of Manhattan Beach Reassessment District No. 2018 Reserve Fund (the “Reserve Fund”);

(e) City of Manhattan Beach Reassessment District No. 2018 Rebate Fund (the “Rebate Fund”); and

(f) City of Manhattan Beach Reassessment District No. 2018 Administrative Expense Fund (the “Administrative Expense Fund”).

Except for the Administrative Expense Fund and the Rebate Fund, all moneys in the funds and accounts established hereunder shall be held by the Fiscal Agent for the benefit of the Bondowners, shall be accounted for separately and apart from all other accounts, funds, money or other resources of

the City held by the Fiscal Agent and shall be allocated, applied and disbursed solely to the uses and purposes hereinafter set forth in this Article.

The Fiscal Agent may establish such additional funds, accounts or subaccounts of the funds or accounts listed above as it deems necessary or prudent to further its duties pursuant to this Indenture or any Supplemental Indenture and shall establish any additional funds, accounts or subaccounts which the City directs it to establish.

Section 402. Application of Proceeds of the Sale of Bonds. Proceeds from the sale of the Bonds shall be used as follows:

- (a) \$_____, an amount equal to the Reserve Requirement shall be deposited by the Fiscal Agent into the Reserve Fund;
- (b) \$_____ shall be deposited by the Fiscal Agent in the Costs of Issuance Fund; and
- (c) \$_____ shall be transferred by the Fiscal Agent to the Prior Fiscal Agent to be applied by said Prior Fiscal Agent to the payment of the principal and interest coming due on the Prior Bonds on March 2, 2018 and to pay the redemption price of the remainder of the Prior Bonds on said date in accordance with the Prior Fiscal Agreements.

Section 403. Costs of Issuance Fund. The Fiscal Agent shall deposit into the Costs of Issuance Fund the amounts specified in Section 402. The Fiscal Agent shall pay the costs of issuing the Bonds from the Costs of Issuance Fund as set forth in Written Requests of the City from time to time which Written Requests shall be substantially in the form set forth in Exhibit B hereto. At the Written Direction of the City or six months after the Closing Date, the Fiscal Agent shall transfer any remaining balance in the Costs of Issuance Fund to the Redemption Fund and the Fiscal Agent shall close the Costs of Issuance Fund.

Section 404. Reassessment Fund. Upon receipt of Reassessment Installments, the City shall transfer the Reassessment Installments to the Fiscal Agent for deposit to the Reassessment Fund. On or prior to the first day of March and September of each year commencing September 1, 2018, the Fiscal Agent is to then transfer moneys on deposit in the Reassessment Fund in the amounts set forth in the following clauses, in the following order of priority, to:

- (a) the Interest Account of the Redemption Fund, an amount sufficient to make the Interest Payment on the next succeeding Interest Payment Date for the Bonds;
- (b) the Principal Account of the Redemption Fund, the amount needed to make the payment of principal due on the following September 2 on the Outstanding Bonds, including any mandatory sinking fund payments (provided, however, with respect to the transfer to be made on September 1, 2018, the transfer shall be in the amount needed to make the payment of principal due on September 2, 2019 on the Outstanding Bonds);
- (c) the Reserve Fund, the amount needed to restore the Reserve Fund to the Reserve Requirement; and
- (d) the Rebate Fund, the amount, if any, as specified in a Written Direction of the City.

Any moneys remaining in the Reassessment Fund after the deposits described above may be used for any lawful purpose as directed by an Authorized Representative of the City.

Upon provision for payment or redemption of all Bonds, and after payment of any amounts due to the Fiscal Agent, all moneys remaining in the Reassessment Fund shall be paid to the City.

Section 405. Redemption Fund. The principal of and interest on the Bonds until maturity shall be paid by the Fiscal Agent from the Redemption Fund. At the maturity of the Bonds, after all principal and interest then due on any Outstanding Bonds has been paid or provided for, moneys in the Redemption Fund shall be paid to the City.

(a) On or prior to the first day of March or September of each year, commencing September 1, 2018, the Fiscal Agent shall transfer to the Interest Account of the Redemption Fund from the Reassessment Fund an amount such that the balance in the Interest Account one day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same becomes due.

(b) On or prior to the first day of September of each year, commencing September 1, 2019, the Fiscal Agent shall transfer to the Principal Account of the Redemption Fund from the Reassessment Fund an amount such that the balance in the Principal Account one day prior to each September 2 shall be equal to the installment of principal (including mandatory sinking fund payments, if any) due on the Bonds on said September 2. Moneys in the Principal Account shall be used to pay the principal (including mandatory sinking fund payments, if any) of the Bonds as the same become due.

(c) Any amounts remaining in the Redemption Fund, other than in the Prepayment Account, on September 15 of each year commencing September 15, 2019, after all principal (including mandatory sinking fund payments, if any) and interest payments due on the prior September 2 have been paid, shall be transferred to the Reassessment Fund.

(d) Moneys set aside in the Prepayment Account of the Redemption Fund shall be used solely for the purpose of redeeming Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds.

Upon receiving any prepayment of a Reassessment, the City shall transfer such prepayment to the Fiscal Agent for deposit in the Prepayment Account. The amount so deposited, along with the moneys transferred to the Prepayment Account from the Reserve Fund pursuant to Section 406, shall be used to redeem Bonds pursuant to Section 301(a) on the next Interest Payment Date for which proper notice of redemption of Bonds can be given by the Fiscal Agent.

Money received by the Fiscal Agent from the City from funds other than the prepayment of Reassessments, which are accompanied by a Written Certificate of the City so directing, shall be deposited in the Prepayment Account and used to redeem Bonds as provided in Section 301(b).

If, after all of the Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in any account of the Redemption Fund, said moneys shall be transferred to the Reassessment Fund.

Section 406. Reserve Fund. The Fiscal Agent shall initially deposit into the Reserve Fund the amount specified in Section 402. Thereafter, the Fiscal Agent shall transfer sufficient funds from the Reassessment Fund as provided in Section 404.

Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal (including mandatory sinking fund payments, if any) of and interest on the Bonds when due in the event that the moneys in the Redemption Fund are insufficient therefor. The Fiscal Agent shall withdraw moneys as necessary from the Reserve Fund for deposit in the Redemption Fund on or before the first day of March and September of each year.

In the event a Reassessment is prepaid in whole or in part, the Reassessment being prepaid shall be reduced by the amount transferred from the Reserve Fund to the Prepayment Account of the Redemption Fund pursuant to this paragraph. The amount transferred shall be that portion of the balance then in the Reserve Fund equal to the proportion that the principal amount of the Reassessment prepaid bears to the total of all principal amounts of Reassessments remaining unpaid as of such date. The City shall notify, or shall cause the Fiscal Agent to be notified, of the amount to be transferred pursuant to the provisions of this paragraph. Notwithstanding any provision of this Indenture, the amount to be transferred from the Reserve Fund may be utilized for redemption of the Bonds pursuant to Section 301(a) provided that in no event will moneys be transferred to accomplish such redemption in an amount that causes the Reserve Fund to drop below the Reserve Requirement as determined immediately subsequent to such redemption.

In the event that moneys comprising the Reserve Fund and the moneys in the Redemption Fund and the Reassessment Fund are sufficient to retire all of the Outstanding Bonds plus accrued interest thereon, such moneys in the Reserve Fund and the Reassessment Fund shall at the Written Direction of City be transferred to the Redemption Fund for the payment of the Bonds.

Notwithstanding any provisions herein to the contrary, moneys in the Reserve Fund in excess of the Reserve Requirement shall be held in the Reserve Fund until the amount in the Reserve Fund equals two hundred percent (200%) of the Reserve Requirement, and, thereafter, shall be withdrawn from the Reserve Fund by the Fiscal Agent on each March 1 and September 1 and shall be transferred to the Reassessment Fund and shall be used as provided in Section 404.

Section 407. Rebate Fund.

(a) The Fiscal Agent shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. All money at any time deposited in the Rebate Fund shall be held by the Fiscal Agent in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate, unless the City obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds will not be adversely affected if such requirements are not satisfied. The Fiscal Agent shall be deemed conclusively to have complied with the provisions of this Section and the Tax Certificate if it follows the Written Requests of the City, including supplying all necessary information in the manner provided in the Tax Certificate, and except as otherwise expressly provided herein, shall not be required to take any actions hereunder in the absence of written directions by the City, and shall have no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate or this Section.

The following requirements shall be satisfied with respect to the Rebate Fund:

(i) Annual Computation. Within 55 days of the end of each Bond Year, the City shall calculate or cause to be calculated the amount of rebatable arbitrage for the Bonds in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The City shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate, upon the written direction of an Authorized Representative of the City, an amount shall be deposited to each account, if any, of the Rebate Fund by the Fiscal Agent from any funds so designated by the City if and to the extent required, so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated by or on behalf of the City in accordance with (i) above. In the event that immediately following any transfer required by the previous sentence, or the date on which the City determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable account of the Rebate Fund exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the City, the Fiscal Agent shall withdraw the excess from the Rebate Fund and then credit the excess to the Reassessment Fund.

(iii) Payment to the Treasury. The Fiscal Agent shall pay, as directed in writing by an Authorized Representative of the City, to the United States Treasury, out of amounts in the Rebate Fund,

(A) Not later than 60 days after the end of (y) the fifth Bond Year for the Bonds, and (z) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds, as applicable; and

(B) Not later than 60 days after the payment or redemption of all of the Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection shall be made in such manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund with respect to the Bonds after redemption and payment of such issue and after making the payments described in Subsection (a) may be withdrawn by the Fiscal Agent at the written direction of the City and utilized by the City for any lawful purpose.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in this Section or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance and final payment of the Bonds with respect to which an account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. This Section may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the City an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Section 408. Administrative Expense Fund. Upon receipt from time to time of amounts comprising any part of the annual portion of the Reassessment levied to pay Administrative Expenses, the City shall transfer such amounts to the Fiscal Agent for deposit to the Administrative Expense Fund; and the Fiscal Agent shall deposit the amounts so received by it into said Fund. The Fiscal Agent shall pay Administrative Expenses as set forth in Written Requests of the City from time to time which Written Requests shall be substantially in the form set forth in Exhibit C hereto.

Section 409. Investments. Moneys held in any of the funds and accounts under this Indenture shall be invested at the Written Direction of the City only in Permitted Investments which shall be deemed at all times to be a part of such funds and accounts. The Fiscal Agent shall provide monthly statements or reports of the principal balances and investment earnings thereon in each fund and account maintained by the Fiscal Agent hereunder.

Permitted Investments shall be purchased at such prices as may be specified or described in a Written Direction of the City (or in telephonic directions promptly confirmed in writing) delivered to the Fiscal Agent. The Fiscal Agent may conclusively reply upon the written instructions of the Authorized Representative as to both the suitability and legality of directed investments. Directions as to the purchase of all Permitted Investments shall be subject to the limitations hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by the Treasurer.

Moneys in all funds and accounts except for the Reserve Fund shall be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which the Treasurer has estimated that such moneys will be required by the Fiscal Agent for the purposes specified in this Indenture. Moneys in the Reserve Fund shall be invested in Permitted Investments, not less than 50% of which must mature within one year of the date of purchase and all of which must mature within two years of the date of purchase; however, if a Permitted Investment may be redeemed or sold at par on the Business Day prior to each Interest Payment Date, all or a portion of the amount of the Reserve Fund may be invested therein. Permitted Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Permitted Investments for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Indenture shall be retained therein, except to the extent that transfers from such funds or accounts are authorized in this Indenture. For investment purposes only, the Fiscal Agent may commingle the funds and accounts established hereunder, and administered by the Fiscal Agent, but shall account for each separately.

Notwithstanding anything to the contrary contained in this Section, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund or account for the credit of which such Permitted Investment was acquired.

For the purpose of determining the amount in any fund or account other than the Reserve Fund, all Permitted Investments credited to such fund or account shall be valued at the lower of the cost or the market value thereof, exclusive of accrued interest. Amounts in the Reserve Fund shall be valued at their market value at least annually on or before August 15. In making any such valuation, the Fiscal Agent may utilize nationally recognized securities valuation or pricing services available to it through its accounting system. The Fiscal Agent may rely on such valuations and shall not be responsible for the accuracy thereof.

The Fiscal Agent, or any of its affiliates, may act as principal or agent in the making or disposing of any investment or as a sponsor, depository, manager for or advisor to any issuer of Permitted Investments. The Fiscal Agent shall sell, or present for redemption, any Permitted Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from such investment, or any other investment made at the direction of the City or otherwise made in accordance with this Indenture.

In the absence of a Written Direction of the City received by Fiscal Agent at least two Business Days prior to the maturity of a Permitted Investment, the Fiscal Agent shall invest solely in Permitted Investments set forth in subsection (7) of the definition thereof.

The Fiscal Agent shall be entitled to rely conclusively upon the Written Direction of the City directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State of California and is a Permitted Investment as required by this Indenture, and the Fiscal Agent shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the list of Permitted Investments which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Fiscal Agent shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the City's expense.

Except as specifically provided in this Indenture, the Fiscal Agent shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the City for earnings derived from funds that have been invested.

The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmation of security transactions to be effected by the Fiscal Agent hereunder as they occur. The City specifically waives the right to receive such notification to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which include detail for the investment transactions effected by the Fiscal Agent hereunder; provided, however, that the City retains its right to receive brokerage confirmation on any investment transaction requested by the City.

ARTICLE V

COVENANTS AND WARRANTY

Section 501. Warranty. The City shall preserve and protect the security of the Bonds and the rights of the Owners against all claims and demands of all persons.

Section 502. Covenants. So long as any of the Bonds are Outstanding and unpaid, the City makes the following covenants with the Owners under the provisions of the 1915 Act, the 1984 Act and this Indenture (to be performed by the City or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Bonds and tend to make them more marketable; provided, however, that said covenants do not require the City to expend any funds or moneys other than the Reassessments:

(a) Punctual Payment; Covenant Against Encumbrances. The City covenants that it will receive all Reassessment Installments in trust and will, consistent with Section 404 hereof, deposit the Reassessment Installments with the Fiscal Agent and the City shall have no beneficial right or interest in the amounts so deposited except as provided by this Indenture. All such Reassessment Installments, whether received by the City in trust or deposited with the Fiscal Agent, all as herein provided, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes herein set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

The City covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with this Indenture to the extent Reassessments and interest earnings transferred to the Redemption Fund are available therefor, and that the payments into the Redemption Fund and the Reserve Fund will be made, all in strict conformity with the terms of the Bonds and this Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplements and of the Bonds issued hereunder. If at any time the total balance in the Redemption Fund, the Reassessment Fund and the Reserve Fund is sufficient to redeem all Outstanding Bonds pursuant to Section 301 hereof, the Treasurer may direct the Fiscal Agent to effect such redemption on the earliest date on which all Outstanding Bonds may be redeemed.

The City will not mortgage or otherwise encumber, pledge or place any charge upon any of the Reassessments, and will not issue any obligation or security, payable in whole or in part from the unpaid Reassessments other than the Bonds.

(b) Covenant to Levy. The City will cause the Reassessment Installments required to pay the principal of and interest on the Bonds when due to be placed on the tax bills of the owners of the parcels assessed and covenants to levy assessments, as permitted by law, to satisfy the Administrative Expense Requirement.

(c) Foreclosure Proceedings. The City will commence foreclosure proceedings October 1 of the fiscal year immediately following the fiscal year in which delinquency in the payment of a Reassessment Installment occurs, except the City need not commence such proceedings with respect to any property other than property owned by a single property owner who is delinquent in excess of \$5,000 in the payment of Reassessment Installments if both (a) the aggregate amount of such

delinquent Reassessment Installments does not exceed five percent (5%) of the Reassessment Installments posted to the tax roll for the preceding Fiscal Year and (b) the balance on deposit in the Reserve Fund is not less than the Reserve Requirement.

(d) Books and Accounts. The City will cause the Fiscal Agent to keep proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions made by its Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours and upon reasonable prior notice be subject to the inspection of the City or of the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

(e) Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes by reason of the City's failure to do so, the City covenants to comply with all applicable requirements of the Code, necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

Private Activity. The City will not take or omit to take any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

Arbitrage. The City will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Federal Guarantee. The City will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Information Reporting. The City will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

Rebate Requirements. The City will take no action inconsistent with its expectations stated in the Tax Certificate and will comply with the covenants and requirements stated therein and incorporated by reference herein. Without limiting the generality of the foregoing, the City agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. In particular, the City shall direct the Fiscal Agent to transfer to the Rebate Fund amounts sufficient to pay and shall instruct the Fiscal Agent to pay to the United States Treasury any amounts required to be paid as set forth in Section 407 hereof.

(f) Collection of the Administrative Expense Requirements. The City covenants that it will collect annually an amount specified by an Authorized Representative of the City to be the Administrative Expense Requirement to pay for Administrative Expenses. The Administrative Expense Requirement so collected shall not exceed the amount specified in the Engineer's Report.

Section 503. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all the provisions of the Continuing Disclosure Certificate. Notwithstanding

any other provision of this Indenture, a failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided that the Fiscal Agent may (and, at the written direction of any Participating Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of the Outstanding Bonds, and upon being indemnified to its reasonable satisfaction, shall) or any Beneficial Owner of Bonds may, take such actions as may be necessary and appropriate to compel such performance.

ARTICLE VI

AMENDMENTS TO AGREEMENT

Section 601. Amendments Not Requiring Bondowner Consent. The City may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplements hereto for any of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provisions herein provided that such action shall not materially adversely affect the interests of the Beneficial Owners;

(b) to add to the covenants and agreements of, and the limitations and the restrictions upon, the City contained in this Indenture, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(c) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not, materially adversely affect the interests of the Beneficial Owners; or

(d) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the Beneficial Owners.

Section 602. Amendments Requiring Bondowner Consent. Exclusive of the Supplements described in Section 601, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve such Supplements as shall be deemed necessary or desirable by the City for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of any principal or interest on, any Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplement without the consent of the Owners of all the Bonds then Outstanding.

If at any time the City shall desire to enter into a Supplement, which pursuant to the terms of this Section shall require the consent of the Bondowners, the City shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplement. The Fiscal Agent shall, at the expense of the City, cause notice of the proposed Supplement to be mailed, by first class mail postage prepaid, to all Bondowners and their addresses as they appear in the Bond Register. Such notice shall

briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the office of the Superintendent of Streets and the corporate trust office of the Fiscal Agent for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplement when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice the Fiscal Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplement described in such notice, and shall specifically consent to and approve the Supplement substantially in the form of the copy referred to in such notice as on file with the Superintendent of Streets and the Fiscal Agent, such proposed Supplement, when duly executed by the City, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds have consented to the adoption of any Supplement, Bonds which are owned by the City or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the City, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination. Upon request, the City shall designate to the Fiscal Agent those Bonds disqualified by this Section.

Upon the execution and delivery by the City and the Fiscal Agent of any Supplement and the receipt of consent to any such Supplement from the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding in instances where such consent is required pursuant to the provisions of this Section, this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the City, the Fiscal Agent and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

No Supplement pursuant to either Section 601 or this Section shall modify or amend any of the rights or obligations of the Fiscal Agent without its written consent thereto. The Fiscal Agent may request an opinion of counsel, at the expense of the City, that any such Supplement complies with the provisions of this Article and the Fiscal Agent may conclusively rely upon such opinion.

Section 603. Notation of Bonds; Delivery of Amended Bonds. After the effective date of any action taken as hereinabove provided, the City may determine that the Bonds may bear a notation, by endorsement in form approved by the City, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent, a suitable notation as to such action shall be made on such Bonds. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the office of the Fiscal Agent without cost to each Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

ARTICLE VII

FISCAL AGENT

Section 701. Fiscal Agent. U.S. Bank National Association is hereby appointed Fiscal Agent for the City for the purpose of receiving all money which the City is required to deposit with the Fiscal Agent hereunder and to allocate, use and apply the same as provided in this Indenture.

The Fiscal Agent is hereby authorized to and shall mail by first-class mail, postage prepaid, interest payments to the Bondowners, select Bonds for redemption, and maintain the Bond Register. The Fiscal Agent is hereby authorized to pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or upon redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds, and to provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Indenture. The Fiscal Agent shall keep accurate records of all funds administered by it and all Bonds paid and discharged by it.

The Fiscal Agent is hereby authorized to pay the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent shall cancel all Bonds upon payment thereof or upon the surrender thereof by the City pursuant to Section 1001 hereof. The Fiscal Agent shall keep accurate records of all Bonds paid and discharged and canceled by it for six years or such longer period as required by applicable law or the policies of the Fiscal Agent.

The Fiscal Agent shall supply information regarding investments made under Section 409 at the written request of the City including: (i) purchase date, (ii) purchase price, (iii) any accrued interest paid, (iv) face amount, (v) coupon rate, (vi) periodicity of interest payments, (vii) disposition price, (viii) any accrued interest, received, and (ix) disposition date. In the event a Nonpurpose Investment is subject to a receipt of bids, the City shall maintain a record of all information establishing fair market value on the date such investment became a Nonpurpose Investment. Such detailed record keeping is required for the calculation of the Rebate Requirement which shall be performed by the City and, in part, will require a determination of the difference between the actual aggregate earnings of all Nonpurpose Investments and the amount of such earnings assuming a rate of return equal to the Yield on the Bonds.

The Fiscal Agent shall receive as compensation for its services hereunder only such fees as are set forth on the fee schedule attached as Exhibit D hereto, which fee schedule is incorporated herein; and the Fiscal Agent shall be entitled to be reimbursed by the City for its other reasonable expenses hereunder, including the reasonable compensation, expenses and disbursements of such agents, representatives, experts and counsel as the Fiscal Agent may employ in connection with the exercise and performance of its rights and its duties hereunder. All such fees and reimbursements shall be paid solely from amounts held in the Administrative Expense Fund pursuant to a Written Request of an Authorized Representative.

The City shall indemnify, defend and save the Fiscal Agent harmless against any losses, costs, expenses or liabilities, including reasonable fees and expenses of its attorneys (including the allocated costs and disbursements of in house counsel, to the extent such services are not redundant with those provided by outside counsel), not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder, which indemnity shall

survive discharge of the Bonds. The costs of the foregoing shall be paid solely from amounts held in the Administrative Expense Fund pursuant to a Written Request of an Authorized Representative.

Any bank or trust company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under Section 702, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 702. Removal of Fiscal Agent. The City may in the absence of an event of default at any time, in the exercise of its sole discretion, upon thirty (30) days prior written notice to the Fiscal Agent, remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital and surplus) (or whose parent or holding company has a combined capital (exclusive of borrowed capital and surplus) of at least one hundred million dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus shall be as set forth in its most recent report of condition so published. The City shall notify the Bondowners in writing of any such removal of the Fiscal Agent and appointment of a successor thereto.

Section 703. Resignation of Fiscal Agent. The Fiscal Agent may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing; provided, however, that in the event that the City does not appoint a successor Fiscal Agent within thirty (30) days following receipt of such notice of resignation, the resigning Fiscal Agent may petition an appropriate court having jurisdiction to appoint a successor Fiscal Agent. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon the written acceptance of appointment by the successor Fiscal Agent, and notice to the Bondowners of the Fiscal Agent's identity and address.

Section 704. Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained herein and in the bonds shall be taken as statements, promises, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of this Indenture or of the Bonds or the tax status of the interest thereon, and shall incur no responsibility in respect thereof other than in connection with its duties or obligations herein or in the Bonds or in the certificate of authentication assigned to or imposed upon the Fiscal Agent. The Fiscal Agent shall have no duties or obligations other than as specifically set forth herein and no implied duties, covenants or obligations shall be read into this Indenture against the Fiscal Agent. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the Bonds for value. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

The Fiscal Agent shall have no liability or obligation to the Bondowners with respect to the payment of debt service by the City or with respect to the observance or performance by the City of the other conditions, covenants and terms contained in this Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the City pursuant to this

Indenture or otherwise; provided however that the Fiscal Agent provide the Bondowners with notice of event of default hereunder.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, bond or other paper or documents believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, at the expense of the City, with regard to legal questions, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Indenture the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a written certificate of the City, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

The Fiscal Agent shall have no duty or obligations whatsoever to enforce the collection of Reassessments or other funds to be deposited with it hereunder, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive. The Fiscal Agent shall have no duty or obligation to monitor the City's compliance with the Act. No provision in this Indenture shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Fiscal Agent shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Fiscal Agent shall have no responsibility, opinion or liability with respect to any information, statement or recital in any official statement or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

All protections extended to the Fiscal Agent shall also extend to its officers, directors, employees and agents. The Fiscal Agent's rights to indemnification hereunder and to payment of its fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds.

The Fiscal Agent makes no covenant, representation or warranty concerning the current or future tax status of interest on the Bonds.

The Fiscal Agent may become an Owner with the same rights it would have if it were not Fiscal Agent; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Fiscal Agent; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee

formed to protect the rights of Owners, whether or not such committee shall represent the Owners of the majority in principal amount of the Bonds then Outstanding.

The Fiscal Agent may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, shall not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent shall only perform those duties specifically set forth herein and no implied duties, covenants or obligations whatsoever shall be read into this Indenture. In the event of and during the continuance of an Event of Default, the Fiscal Agent shall exercise such care in performing its duties hereunder as a prudent person would exercise under the circumstances in the conduct of its own affairs. No action by the Fiscal Agent shall be construed or deemed to expand the limitations on the scope of the Fiscal Agent's duties. The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Reassessment, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

In accepting the duties of the Fiscal Agent hereby created, the Fiscal Agent acts solely as Fiscal Agent for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners and the City, having any claim against the Fiscal Agent arising from this Indenture shall look only to the funds and accounts held by the Fiscal Agent hereunder for payment, except as otherwise provided herein or where the Fiscal Agent has breached its standard of care as described in this Section. Under no circumstances shall the Fiscal Agent be liable in its individual capacity for the obligations evidenced by the Bonds.

The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, which such majority of the Owners may give, relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent or in the exercise of any right hereunder. In the event of conflicting instructions hereunder, the Fiscal Agent shall have the right to decide the appropriate course of action and be protected in so doing.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed in any respect relating to the Bonds.

The Fiscal Agent shall not be deemed to have knowledge of any Event of Default hereunder unless it has actual knowledge thereof at its Principal Office.

Section 705. Interested Transactions. The Fiscal Agent and its officers and employees may acquire and hold Bonds with the same effect as if it were not Fiscal Agent. The Fiscal Agent, either as principal or agent, may engage in or be interested in any financial or other transaction with the City.

Section 706. Agents. The Fiscal Agent may execute any of its trusts or powers or perform its duties through attorneys, agents or receivers and the Fiscal Agent shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 801. Event of Default. Any one or more of the following events shall constitute an “event of default”:

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or from mandatory redemption;

(b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) Default by the City in the observance of any of the other agreements, conditions or covenants on its part in this Indenture or in the Bonds contained, and the continuation of such default for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Fiscal Agent or any Owner, provided that if within thirty (30) days the City has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated.

The Fiscal Agent shall provide notice to the Owners of the occurrence of an event of default after the Fiscal Agent has actual knowledge of such occurrence.

Section 802. Remedies. Following the occurrence and during the continuance of an event of default, the Fiscal Agent may pursue any available remedy at law or in equity to enforce the provisions of this Indenture and to enforce any rights of the Fiscal Agent hereunder, including:

(a) by mandamus or other suit or proceeding at law or in equity to enforce the rights of the Owners and/or of the Fiscal Agent against the City and any of the officers and employees of the City, and to compel the City or any such officers or employees to perform and carry out their duties under the Act and their agreements with the Owners and the Fiscal Agent as provided in this Indenture;

(b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners and/or of the Fiscal Agent; or

(c) by a suit in equity to require the City and its members, officers and employees to account as the Fiscal Agent of an express trust.

If an event of default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and

if indemnified to its satisfaction, the Fiscal Agent shall be obligated to exercise such one or more of the rights and powers conferred by this Article, as the Fiscal Agent, being advised by counsel, shall deem most expedient in the interests of the Owners.

No remedy herein conferred upon or reserved to the Fiscal Agent or to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

ARTICLE IX

DEFEASANCE

Section 901. Defeasance. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of any Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in this Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of Reassessments and other amounts hereunder, and all covenants, agreements and other obligations of the City to the Owners of such Bonds under this Indenture shall thereupon cease, terminate and become void and be discharged and satisfied except for the City's covenant under Section 502(e) hereof. In such event, the Fiscal Agent shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the City after payment of any amounts due the Fiscal Agent hereunder all money or securities held by it pursuant to this Indenture which are not required for the payment of the interest due on, and the principal of, such Bonds.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed in the first paragraph of this Section if such Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest with respect to such Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Reassessment Fund, the Reserve Fund and the Redemption Fund, is fully sufficient to pay the principal of, premium and interest on such Bond as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, in trust, Federal Securities in such amount as an Independent Financial Consultant shall determine will, together with the interest to accrue thereon and moneys then on deposit in the Reassessment Fund, the Reserve Fund and the Redemption Fund which is available to pay such Bond, together with the interest to accrue thereon without further investment, be fully sufficient to pay and discharge the principal of, premium, if any, and interest on such Bond as and when the same shall become due and payable; then, notwithstanding that such Bond shall not have been surrendered for payment, all obligations of the City under this Indenture with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owner of any Bond not so surrendered and paid, all sums due thereon from funds provided to it by the City and except for the City's covenant under Section 502(e) hereof. Any money or securities deposited with the Fiscal Agent to defease any Bond or Bonds shall be accompanied by a certificate of a certified public accountant confirming the accuracy of the calculations establishing the sufficiency

of such deposit. Any funds held by the Fiscal Agent at the time of payment or defeasance of all Outstanding Bonds, which are not required for the purpose above mentioned, or for payment of amounts due the Fiscal Agent hereunder shall be paid over to the City.

ARTICLE X

MISCELLANEOUS

Section 1001. Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption shall upon payment therefor, and any Bond purchased by the City as authorized herein shall be, cancelled forthwith and shall not be reissued. The Fiscal Agent shall destroy such Bonds as provided by law and furnish to the City a certificate of destruction.

Section 1002. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor, may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the commercial bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds shall be sufficient for the purposes of this Indenture (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any commercial bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.

(b) As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums to be paid. The Fiscal Agent shall not be affected by any notice to the contrary. Nothing contained in this Indenture shall be construed as limiting the Fiscal Agent to such proof, it being intended that the Fiscal Agent may accept other evidence of the matters herein stated which the Fiscal Agent may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Fiscal Agent in pursuance of such request or consent.

Section 1003. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any money held by the Fiscal Agent in trust for the payment and discharge of any of the Bonds which remains unclaimed for one year after the Bonds become due and payable, if such money was held by the Fiscal Agent at such date, or for one year after the date of deposit of such money if deposited with the Fiscal Agent after said date when such Bonds become due and payable, shall be repaid by the Fiscal Agent to the City, as its absolute property and free from trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of such Bonds; provided, however, that, before being required to make

any such payment to the City, the Fiscal Agent shall, at the written request and the expense of the City, cause to be mailed to the registered Owners of such Bonds, at their addresses as they appear on the Bond Register, a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City.

Section 1004. Provisions Constitute Contract; Successors. The provisions of this Indenture shall constitute a contract between the City and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California. The City and the Fiscal Agent acknowledge and agree that the Bondholders are third party beneficiaries of this Indenture and shall be entitled to enforce the provisions of this Indenture against the City and the Fiscal Agent in the same manner as if the Bondholders were parties hereto.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken by the Fiscal Agent at the direction of the Bondowners, and the Fiscal Agent shall prevail, the Fiscal Agent and such Bondowners shall be entitled to receive from the Reassessment reimbursement for reasonable costs, expenses, outlays and attorneys' fees (including the allocated costs and disbursements of in-house counsel, to the extent such services are not redundant with those provided by outside counsel), and should said suit, action or proceeding be abandoned, or be determined adversely to the Fiscal Agent, then the City, the Fiscal Agent and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds this Indenture shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Indenture, but to no greater extent and in no other manner.

This Indenture shall be binding upon the City and the Fiscal Agent and shall inure to the benefit of the City, the Fiscal Agent, the Bondholders, and their respective successors and assigns.

Section 1005. Further Assurances; Incontestability. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

After the sale and delivery of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 1006. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Indenture and the Bonds shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

Section 1007. General Authorization. Authorized Representatives of the City are hereby respectively authorized to do and perform from time to time any and all acts and things consistent with this Indenture necessary or appropriate to carry the same into effect.

Section 1008. Liberal Construction. This Indenture shall be liberally construed to the end that its purpose may be effected. No error, irregularity, informality and no neglect or omission herein or in any proceeding had pursuant hereto which does not directly affect the jurisdiction of the City Council shall void or invalidate this Indenture or such proceeding or any part thereof, or any act or determination made pursuant thereto.

Section 1009. Notice. Any notices required to be given to the City with respect to the Bonds for this Indenture shall be mailed, first class, or personally delivered to the Director of Finance of the City at 1400 Highland Avenue, Manhattan Beach, California 90266, and all notices to the Fiscal Agent in its capacity as Fiscal Agent shall be mailed, first class, postage prepaid, or personally delivered to U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071.

Section 1010. Action on Next Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in this Indenture.

[The remainder of this page is left blank intentionally.]

IN WITNESS WHEREOF, the City and the Fiscal Agent have executed this Indenture, effective the date first written above.

CITY OF MANHATTAN BEACH

By: _____
Its: Authorized Representative

ATTEST:

City Clerk

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Its: Authorized Officer

EXHIBIT A
FORM OF BOND

R-__

\$_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

CITY OF MANHATTAN BEACH
ASSESSMENT DISTRICT NO. 2018
LIMITED OBLIGATION REFUNDING BOND, SERIES 2018

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
____%	September 2, ____	March __, 2018	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

Under and by virtue of the Refunding Act of 1984 for 1915 Improvement Act Bonds, (Division 11.5, commencing with Section 9500, of the California Streets and Highways Code) (the “Act”) and Resolution No. 201815-091 (the “Resolution of Issuance”) adopted by the City Council of City of Manhattan Beach (the “City”) on the __th day of ____, 2018, the City will, out of the redemption fund for the payment of the bonds issued upon the unpaid portion of reassessments more fully described in proceedings taken pursuant to Resolution No. 2018-____ (the “Resolution of Intention”) adopted by the City Council of the City on the __th day of ____, 2018, pay to the registered owner stated above, on the maturity date stated above, the principal sum stated above in lawful money of the United States of America, all as provided for in an Indenture dated as of March 1, 2018 (the “Indenture”), by and between U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent”) and the City. In like manner, the City will pay interest on this bond from the Interest Payment Date (as defined below) next preceding the date on which this bond is authenticated, unless (i) its date of authentication is after the fifteenth day of the month preceding an Interest Payment Date (the “Record Date”) and on or before the immediately succeeding Interest Payment Date, in which event the bond shall bear interest from such Interest Payment Date or (ii) its date of authentication is before the close of business on the first Record Date, in which event the bond shall bear interest from its dated date; provided, however, that if at the time of authentication of this bond, interest is in default, interest on this bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment. Such interest shall be payable on March 2 and September 2 of each year, commencing September 2, 2018 (each, an “Interest Payment Date”).

Both the principal hereof and redemption premium hereon, if any, are payable at the principal corporate trust office of the Fiscal Agent, and the interest hereon is payable by check mailed by first class mail, postage prepaid, on the Interest Payment Date to the owner hereof at the owner’s address as it appears on the records of the Fiscal Agent or at such address as may have been filed with the Fiscal Agent for that purpose, at the close of business on the applicable Record Date; provided,

however, that at the written request of an owner of at least \$1,000,000 in aggregate principal amount of bonds, filed with the Fiscal Agent prior to any Record Date, interest on such bonds will be paid to such owner on such succeeding Interest Payment Date by wire transfer of immediately available funds to an account within the United States of America designated in such written request.

This bond will continue to bear interest after maturity at the rate above stated provided it is presented at maturity and payment hereof is refused upon the sole ground that there are not sufficient moneys in said redemption fund with which to pay the same. If it is not presented at maturity, interest hereon will run only until maturity.

This bond is issued by the City under the Act and the Indenture for the purpose of providing means for refinancing the improvements described in the aforesaid proceedings; and it is secured by the moneys in the redemption fund and by the unpaid portion of certain reassessments made for the payment of those improvements, and, including principal and interest, is payable exclusively out of said fund.

This bond, or any portion of the principal hereof, may be redeemed and paid in advance of maturity on any Interest Payment Date from and to the extent of the proceeds of prepayment of reassessments in the manner provided in Part 8768 of the Act and as more particularly set forth in the Indenture at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

March 2, 20__ through September 2, 20__	%
March 2, 20__ and September 2, 20__	
March 2, 20__ and September 2, 20__	
March 2, 20__ and any Interest Payment Date	
Thereafter	

This bond is not subject to optional redemption prior to maturity.

This bond is transferable by the registered owner hereof, in person or by the owner's attorney duly authorized in writing, at the office of the Fiscal Agent, subject to the terms and conditions provided in the Indenture, including the payment of certain charges, if any, upon surrender and cancellation of this bond. Upon such transfer a new registered bond for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The City and the Fiscal Agent may treat the owner hereof, as shown on the bond register kept by the Fiscal Agent, as the absolute owner for all purposes; and the City and the Fiscal Agent shall not be affected by any notice to the contrary.

The Indenture is incorporated by reference herein and by acceptance hereof the registered owner assents to said terms and conditions.

This bond is subject to refunding pursuant to the procedures of the Refunding Act of 1984 for 1915 Improvement Act Bonds.

This bond shall not be entitled to any benefit under the Act or the Indenture or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed

shall have been manually signed by the Fiscal Agent.

THE CITY HAS DECLARED AND DETERMINED IN THE RESOLUTION OF INTENTION THAT, PURSUANT TO SECTION 8769 OF THE IMPROVEMENT BOND ACT OF 1915, IT WILL NOT OBLIGATE ITSELF TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO CURE ANY DEFICIENCY WHICH MAY OCCUR IN THE REDEMPTION FUND.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF CITY OF MANHATTAN BEACH, THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE INDENTURE.

IN WITNESS WHEREOF, City of Manhattan Beach has caused this bond to be signed in manual or facsimile form by the Treasurer and City Clerk of said City, all as of the ___th day of _____, 2018.

CITY OF MANHATTAN BEACH

City Treasurer

City Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the bonds described in the within-mentioned Indenture, which bond has been authenticated and registered on _____, 2018.

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

[FORM OF LEGAL OPINION]

The attached is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

City Clerk of the City of Manhattan Beach

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto

TAX I.D. #: _____
the within bond and do(es) hereby irrevocably constitute and appoint

attorney to transfer the same on the register of the Fiscal Agent with full power of substitution in the premises.

Date: _____

SIGNATURE GUARANTEED:

Signature(s) must be guaranteed by an eligible guarantor institution

NOTE: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever and the signature(s) must be guaranteed by an eligible guarantor.

EXHIBIT B

FORM OF REQUISITION FOR DISBURSEMENT OF COSTS OF ISSUANCE

COST OF ISSUANCE FUND

REQUISITION FOR DISBURSEMENT FOR COST OF ISSUANCE

The undersigned, an Authorized Representative of the City (as defined in the Indenture referred to below), hereby requests U.S. Bank National Association, as Fiscal Agent (the "Fiscal Agent"), to pay from the Cost of Issuance Fund established by the Indenture dated as of March 1, 2018 by and between City of Manhattan Beach and the Fiscal Agent, to the payee named below the amount specified below for the goods and/or services set forth in the invoice attached hereto.

Payee:

Address:

Purpose:

Amount:

Said amount is due and payable under purchase order, contract or other authorization and has not formed the basis of any prior request for payment. The conditions for the release of this amount from the Costs of Issuance Fund, including those conditions in the Indenture have been satisfied.

There has not been filed with nor served upon the City notice of any lien, right to lien or attachment upon, or stop notice or claim affecting the right to receive payment of the amount specified above which has not been released or will not be released simultaneously with the payment of such amount, other than materialmen's or mechanic's liens accruing by mere operation of law.

Executed by an Authorized Representative of City of
Manhattan Beach.

Signature:

By: _____

Name:

Title:

Dated:

Payment Request No.:

EXHIBIT C

FORM OF REQUISITION FOR DISBURSEMENT OF ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSE FUND

REQUISITION FOR DISBURSEMENT FOR ADMINISTRATIVE EXPENSES

The undersigned, an Authorized Representative of the City (as defined in the Indenture referred to below), hereby requests U.S. Bank National Association, as Fiscal Agent (the "Fiscal Agent"), to pay from the Administrative Expense Fund established by the Indenture dated as of March 1, 2018 by and between City of Manhattan Beach and the Fiscal Agent, to the payee named below the amount specified below for the goods and/or services set forth in the invoice attached hereto.

Payee:

Address:

Purpose:

Amount:

Said amount is due and payable under purchase order, contract or other authorization and has not formed the basis of any prior request for payment. The conditions for the release of this amount from the Administrative Expense Fund, including those conditions in the Indenture have been satisfied.

There has not been filed with nor served upon the City notice of any lien, right to lien or attachment upon, or stop notice or claim affecting the right to receive payment of the amount specified above which has not been released or will not be released simultaneously with the payment of such amount, other than materialmen's or mechanic's liens accruing by mere operation of law.

Executed by an Authorized Representative of City of
Manhattan Beach.

Signature:

By: _____

Name:

Title:

Dated:

Payment Request No.:

EXHIBIT D
SCHEDULE OF FISCAL AGENT FEES

[TO COME]